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October 2016

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."

Wanda Wallace and Gillian Pillans, Report Authors

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Creating an Inclusive Culture

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Corporate Research Forum One Heddon Street Mayfair London W1B 4BD United Kingdom
ISBN: 978-0-9934094-4-8

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Wanda Wallace and Gillian Pillans

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Fiona Dunsire
CEO, Mercer UK

Foreword

The business case for diversity is long-established but as we know, progress to date remains slow. Despite good intentions, companies have not been paying enough attention to creating the right culture for diversity to flourish, in order for it to be sustained over time.

As we know, diversity is about the differences people bring to the workforce, and not just about the physical or demographic elements, but the diversity of thinking style, and perspective, often borne out of different social or cultural backgrounds. We also know that diversity cannot itself create cultural sea-change in an organisation.

For a company to reap the benefits of diversity, they have to have inclusion embedded into the organisation, and in Mercer we position it as part of our DNA. Without a systemic approach to inclusion, a diverse workforce can easily become a disjointed and disconnected one, and its full potential will remain elusive.

Inclusion allows organisations to both appreciate and capitalise on diversity, yet its intangible nature makes it difficult to measure, quantify and therefore manage. Unlike diversity, it is not possible to legislate inclusion. No national policy or legal framework can mandate an inclusive culture – this has to come from a concerted effort by organisations to create the conditions of inclusion. This is driven by leadership and commitment from the top; engagement from the middle; and training in inclusive behaviours as well as recognising and mitigating unconscious bias across the workforce.

With today’s shorter business horizons and renewed waves of economic and political uncertainty, we are facing further challenges not just to existing diversity efforts, but more importantly to inclusion. An inclusive culture is the lifeblood of a thriving organisation, accelerating collaboration, enhancing innovation and supporting sustainable growth. It is the glue that binds together the leaders, and their workforce through the policies, programmes, and processes that create the infrastructure, and the systemic practices that realise the potential of each individual in the organisation.

Mercer believes wholeheartedly in the value of inclusion and is proud to sponsor this important research with the Corporate Research Forum.

Fiona Dunsire
CEO, Mercer UK

Dr. Wanda Wallace

Gillian Pillans

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Dr. Wanda Wallace

Dr. Wanda Wallace is President and CEO of Leadership Forum, Inc. LFI designs and delivers innovative interventions that enable leaders to improve not only their leadership ability, but also their agility in strategic thought, team engagement, inclusivity and ultimately execution. Dr. Wallace received her Ph.D. from the Psychology Department at Duke University in 1985, with special emphasis on cognitive and thought processes.

Gillian Pillans

Gillian Pillans has worked as a senior HR practitioner and OD specialist for several organisations including Swiss Re, Vodafone and BAA. Prior to her HR career, she was a management consultant with Deloitte Consulting and is also a qualified solicitor. Gillian has written various CRF reports on subjects including HR strategy, organisation design and development, leadership development, talent management, coaching and diversity.

Acknowledgements

The authors would like to thank all the research participants, who generously gave their time and shared their insights. Interviewees are listed in the Appendix. We are grateful to all CRF members who took time to complete the online survey. Thanks also to Jane Simms for editing the report.

CRF would like to thank Mercer for sponsoring this research and writing the foreword.

About CRF

Founded in 1994, Corporate Research Forum (CRF) is a membership organisation whose international focus is on research, discussion and the practical application of contemporary topics arising from people management, learning and organisation development. CRF has become a highly influential focal point and network for over 170 members representing a cross-section of private and public sector organisations.

- Its annual programme of research, events and publications fully reflects members' interests, in addition to the annual international conference. Side meetings and interest groups are also initiated to meet challenges that members might have.
- Contributors are acknowledged experts in their field with a worldwide reputation as leaders and innovators in management thinking and practice.
- Sharing and collaboration among members is a key feature of CRF's activities. We actively encourage networking at all events, and especially through member lunches and HR director dinners.
- CRF is led and managed by highly-regarded former HR professionals who have a passion for delivering excellence in the leadership and development of organisations and people.

CRF's goal is to be valued for excellence, rigour, relationship building and providing an independent view which, together, lead to measurable improvement in members' people and organisation performance.

For more details on how your organisation can benefit from membership to CRF please contact Richard Hargreaves, Commercial Director, on +44 (0) 20 7470 7104 or at richard@crforum.co.uk. Alternatively, please visit our website at www.crforum.co.uk.

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.

1

A SHIFT IN FOCUS FROM DIVERSITY TO CREATING AN INCLUSIVE CULTURE

Topics covered

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Introduction

In this chapter we define inclusive cultures and distinguish between diversity and inclusivity. We explore the benefits of creating an inclusive culture for organisations and review current trends.

1.1
What's the issue?

Diversity has been near the top of the business agenda for many years. Today, most CEOs understand that building a workforce that reflects the society in which organisations operate, and the customers they serve, can be highly beneficial. Studies have shown a correlation between representation of women and other minorities and superior financial performance. However, in spite of substantial investments in diversity programmes over decades, progress has been disappointing, particularly when it comes to the representation of women at senior levels in the workplace. For example, the World Economic Forum's 2015 Global Gender Gap report concluded that women are 118 years away from closing the gender gap, in terms of labour market opportunities, education, health and political clout.

We think one of the key reasons that management focus and financial investment in diversity and inclusion programmes has not yielded better results is that organisations have concentrated on increasing the proportion of under-represented groups in the workplace, rather than tackling the underlying culture. They have focused on numbers, not on creating an inclusive culture that allows individuals, regardless of their background, personality or characteristics, to thrive, progress and give of their best. As Pless and Maak comment: "While much attention has been paid to… diversity policies, systems and processes, much less thought has been given to the … norms and values involved."

However, we have found that some more sophisticated organisations are going beyond a simple focus on numbers and are addressing the underlying organisational climate and behaviours that determine whether people from minority groups feel included without having to conform to the 'norm'. These organisations are not only achieving their diversity goals; they are also seeing substantial improvements in engagement, creativity and performance. They are building what we call an 'inclusive culture'.

This research set out to explore the following questions.

- What are the characteristics of an inclusive culture? To what extent do organisations explicitly target an inclusive culture, as opposed to focusing on diversity goals and activities?
- How can organisations determine how inclusive the culture is?
- What are the business drivers for creating an inclusive culture?
- What actions are most effective in driving an inclusive culture, and which tend not to work?
- How might organisations reconfigure people processes such as talent management, recruitment and performance management to support an inclusive culture?
- Who is/should be responsible for owning and delivering this agenda?

Distinguishing between 'diversity' and 'inclusion'

Many organisations talk about 'diversity' and 'inclusion' together, or even view them as synonymous. We have seen a shift from 'diversity' towards 'inclusion', but does this reflect a change in practice, or is it simply, as Professor Quinetta Roberson of Villanova University, describes, "a change of phrasing to reduce backlash against the same initiatives"?

For the purposes of this research we differentiate between the two terms.

- 'Diversity' is about increasing the representation of minorities in the workforce.
- 'Inclusion' and 'inclusivity' refer to efforts to create an environment that values the individuals within a diverse workforce.
- It is possible to have a diverse workforce, without being inclusive.

Frost and Kalman, in their book *Inclusive Talent Management*, make the following distinction. "Diversity is about infinite difference, and real inclusion is about bringing those differences together to add value. Real inclusion involves strategies designed to add value by embedding […] diversity in existing infrastructure, intervening at a systemic level, where decisions are actually made. That is […] harder work, but essential for real value to be harnessed."

Research approach

This report is based on the following data sources.

- A focus group with 18 senior HR and Diversity & Inclusion practitioners to identify current issues and practices and establish areas of focus for the research.
- Interviews with 40 thought leaders, academics and practitioners. Research participants are listed in the Appendix.
- An online CRF member survey, completed by 228 respondents in August-September 2016. Respondents were predominantly senior HR practitioners and functional specialists from a range of different industries. The majority worked for organisations with 10,000 employees or more. Three-quarters (74%) were UK based, the remainder from Europe (12%), the United States (4%) and the rest of the world (10%).
- An extensive literature review of key academic and practitioner studies, books and articles. The Reading List in the Appendix contains relevant references.

Current trends

The CRF member survey conducted as part of this research project highlighted the current state of play. Just over half (55%) of respondents reported that their organisation has an explicit goal of creating an inclusive culture (as opposed to setting goals or targets for having a diverse workforce), versus 39% that do not (see Figure 1). However, when we asked whether organisations had a clear definition or set of criteria that describe the features of an inclusive culture, only 33% of respondents said yes, and over half (52%) said no (Figure 2). It would appear that many organisations want to create an inclusive culture, but are not sure what this looks like in practice. **This begs the question: if it's not clear what the destination looks like, how can organisations know they are heading in the right direction and how can they measure progress?**

Figure 1: Does your organisation have an explicit goal of creating an inclusive culture (as opposed to goals/targets for having a diverse workforce)**?**

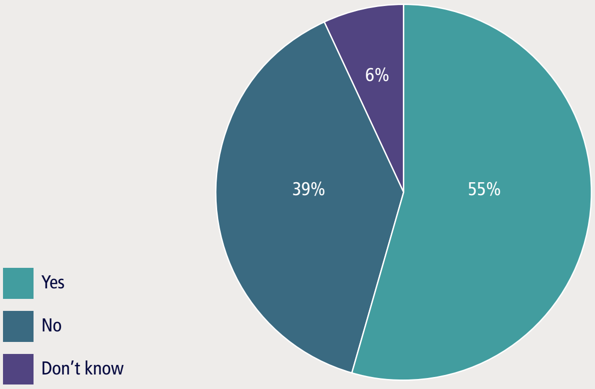
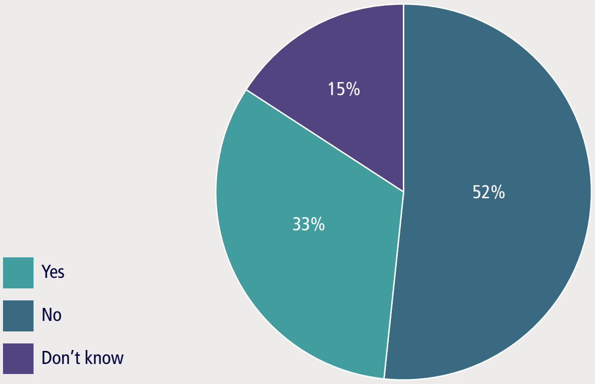


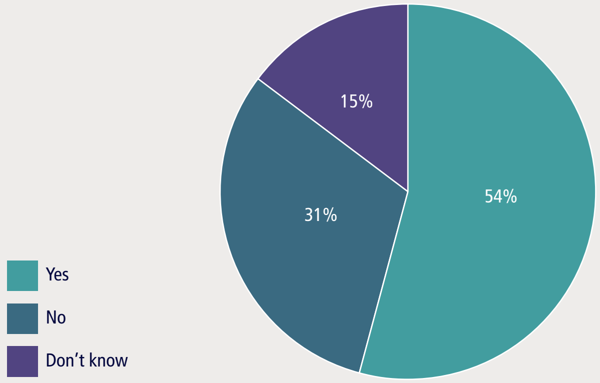
Figure 2: Does your organisation have a definition or set of criteria that describes the features of an inclusive culture?



Probing further, we asked respondents to share their definition of an inclusive culture. While themes such as 'respecting, valuing and leveraging individual differences' and 'an environment where everyone can achieve their full potential and be themselves' emerged, many descriptions were what we would describe as 'diversity' or 'numbers' oriented. For example, '30% of women in leadership roles' and 'increase % of ethnic managers in the business by 2020'.

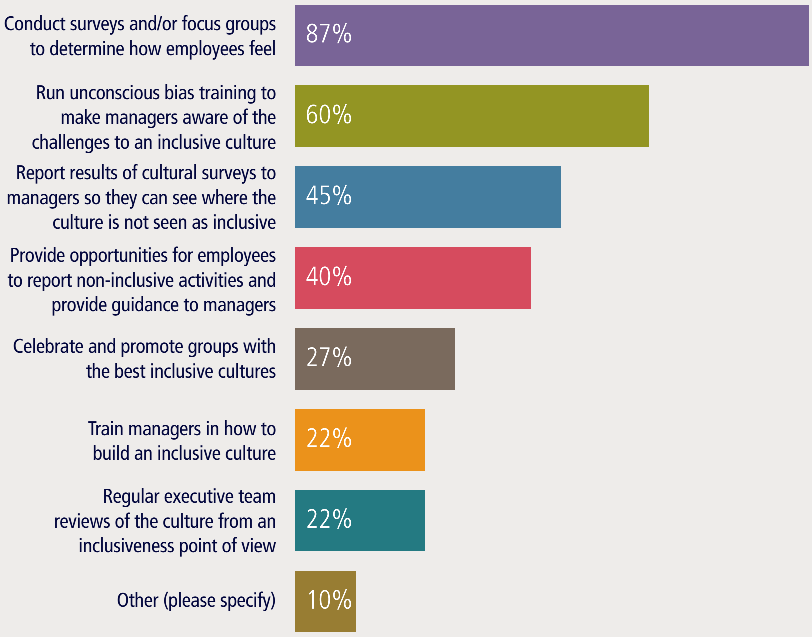
We also asked whether organisations' plans and activities relating to diversity and inclusion (D&I) specifically include creating an inclusive culture. Just over half (54%) said this was an element of their approach to D&I, whereas just under one-third (31%) said it wasn't (see Figure 3).

Figure 3: Do your organisation's plans/activities related to diversity and inclusion include elements relating to creating an inclusive culture?



The most common actions taken with respect to building an inclusive culture are conducting surveys and/or focus groups to determine how employees feel (87% of respondents), unconscious bias training (60%), and reporting the results of culture surveys to managers so they can see where the culture is not perceived as inclusive (45%) (See Figure 4). This suggests that, while many organisations have good intentions in terms of building an inclusive culture, fewer have taken tangible, practical steps to shift the culture. Throughout this report we highlight what some of those steps are, and discuss real-life examples.

Figure 4: Which of the following actions have been taken in your organisation to create and maintain an inclusive culture? Please select all that apply.



Source: CRF Member Survey

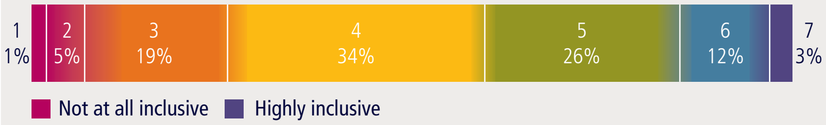
Barriers to creating an inclusive culture

Our survey highlighted the following common barriers to creating an inclusive culture.

- Gaining leadership commitment and accountability.
- Giving it sufficient priority alongside all the other competing pressures faced by managers.
- Failure by the dominant group to perceive how the prevailing culture can exclude minorities or anyone who is considered different.
- Scepticism about the value of investing in an inclusive culture.
- Difficulty in engaging the majority in this agenda.
- Over-focus on diversity, which reinforces exclusivity rather than inclusivity.
- Lack of clarity about what an inclusive culture looks like and how to achieve it.
- Lack of consistency across different business units and geographies.

We asked respondents how inclusive they consider their organisation culture to be today. Only 3% rated it 'highly inclusive', 38% considered it to be 'somewhat inclusive', one-third (34%) were neutral and one-quarter (26%) found their organisation culture to be 'not very' or 'not at all inclusive'. (See Figure 5.)

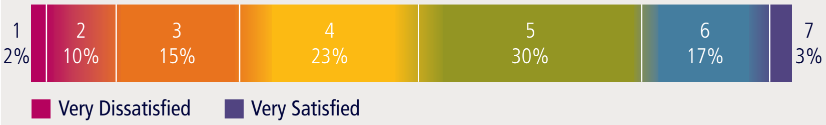
Figure 5: On a scale of 1-7, how inclusive would you consider your organisation's culture to be? (1=not at all inclusive, 7=highly inclusive)



Source: CRF Member Survey

When asked to rate their satisfaction with their organisation's efforts to create an inclusive culture, half (50%) were either 'satisfied' or 'highly satisfied', nearly one-quarter (23%) were neutral and just over one-quarter (28%) were 'somewhat' or 'very dissatisfied' (See Figure 6).

Figure 6: How satisfied are you with the outcomes of your organisation's efforts to create an inclusive culture?



Source: CRF Member Survey

We asked respondents what has been most effective in creating an inclusive culture, and what they had tried that had not worked. The word clouds below show the most common responses. Interestingly, unconscious bias training, which we have found to be one of the most commonly-deployed tools, is seen as both effective *and* ineffective by respondents. We discuss this further in chapter 2. The responses also highlight the importance of engaging line and senior managers, of bringing people along rather than telling them what to do, and of the power of stories. We discuss these further later in this report.

Figure 7: What has been most effective in improving your organisation's results around creating an inclusive culture?

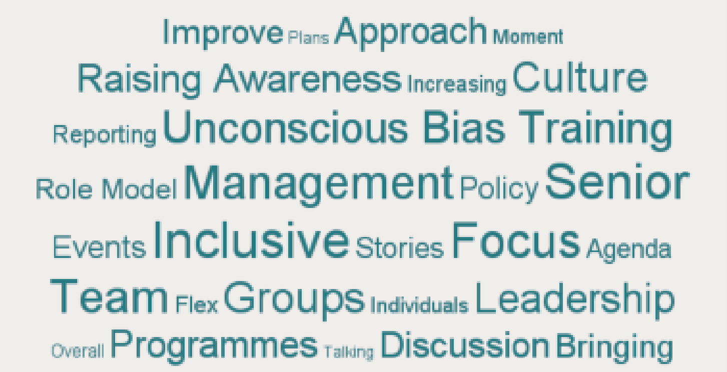
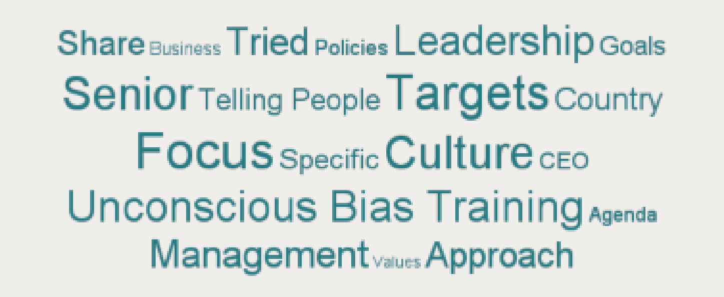


Figure 8: What have you tried that has not been effective in creating an inclusive culture?



In summary, while we are encouraged by the level of satisfaction respondents have with their organisation's efforts to create an inclusive culture, we are concerned that less than half consider their organisation to be highly or somewhat inclusive. We are also concerned that the lack of definition about what constitutes an inclusive culture is hampering progress. It would appear that many organisations have much work to do to build a clear understanding of what an inclusive culture should look and feel like in practice, and the steps needed to get there.

What's changed in the past five years?

CRF's 2011 research report *Diversity and Business Performance* explored in depth the business case for diversity, what organisations can do to increase the representation of minorities, particularly women, and what works in practice. While the efforts described in that report continue, we find several trends have emerged in the past few years.

- Recognition that despite initiatives such as the 30% Club in the UK, which help to increase the representation of women on boards, in most organisations there is still a **lack of women at one or two levels below the C-suite.** There's increased interest in making sure promotion pipelines at all levels are representative, and organisations continue to invest in leadership programmes aimed at women.
- The focus on diversity, and gender in particular, has resulted in changes in recruiting practices so that many organisations are doing a much better job of recruiting a reasonable proportion of women into first level jobs. However, they are **not retaining and promoting those women beyond the first 8 to 10 years.** For most companies, there is a disproportionate bleed of female talent at mid-career level.
- **Continued investment in Employee Resource Groups** (ERGs). Most organisations we spoke to have networks that bring together different interest groups. In many cases their scope has expanded to encompass a broader range of interests, a wider geographical reach and a more significant influence over policy. ERGs are a critical resource for 'checking the temperature' of the organisation and helping to roll out initiatives.
- **Diversity fatigue.** According to Kusia Pell, Global Inclusion Solutions Consultant at PDT, which specialises in building inclusive cultures: "Many organisations feel like they've been doing the 'women's thing' a long time," and are disappointed at the slow pace of change. Charlotte Harding, Principal at Mercer, agrees: "We're seeing a lot of pushback on diversity and inclusion. Many organisations feel it's run its course and it's time for a new approach. The prescriptive approach that says 'you must be diverse' is no longer working."

Case Notes

Centrica

The appointment of a new CEO, Iain Conn, in 2015 was an opportunity for a change of strategic direction for the energy and services company. This also meant a rethink of the company culture. One of Conn's priorities was to make the culture more inclusive, so the company's approach to inclusivity has been rolled into the overall culture change programme. Alison Hughes, Group Head of HR Policy and Diversity, said: "We are using the redesign of the organisation as an opportunity to embed new practices. It's really important that inclusion isn't seen as a stand-alone initiative. It has to connect with all our core internal processes and become an integral part of how we get things done." This has included the following actions.

- **Rethinking values and leadership behaviours.** These in turn feed how people are assessed for promotion and how performance is evaluated. "The leadership behaviours are one of the ways we hold leaders accountable for how they make their teams more inclusive", said Hughes.
- **Using storytelling to generate conversations** across the organisation around how the organisation should look and feel.
- **Using the talent agenda as the hook for engaging leaders around inclusiveness.** "Our strategy requires different skills, such as having a global mindset and working within a matrix, so we need people who are open to working in different ways."
- **Engaging existing networks**, such as the women's network, in the roll-out of the culture change programme. The purpose and activities of the women's network have also been realigned to support the new strategy. For example, the theme of this year's annual women's network conference was how an inclusive culture can help the company realise its business strategy.

"An inclusive culture is one in which differences such as background, education, thinking styles and cultural orientation, are recognised as an asset, not a problem." **Margaret Heffernan, author of *Wilful Blindness***

Case Notes *continued*

- **Leveraging the CEO's commitment.** At the women's network conference, Iain Conn took part in a panel discussion on the topic of inclusivity, where he shared what it meant to him. Hughes said: "What really made the difference was that he spoke from the heart. He had a brief, but he simply talked about the things that made up an inclusive culture for him: meritocratic processes, fairness and transparency." The event was videoed and the CEO's comments have been shared widely across the organisation.

- **Tying together inclusion and culture change.** One way to tackle diversity fatigue is to tie the inclusivity agenda closely to business strategy. Organisations such as Siemens and Centrica have linked their efforts to build an inclusive culture to ongoing culture change initiatives, which helps embed actions around inclusion into core people processes such as performance management and leadership development.
- **Focus on a broader range of categories.** While strands such as gender, ethnicity, sexual orientation and disability are still the principal areas of focus, we have noticed a broadening of the agenda to include, for example, economic and social mobility and a desire to make the workplace more inclusive for different personality types such as introverts and extroverts. Birgit Neu, Global Head of Diversity and Inclusion at HSBC, said: "Definitions can be challenging, as not everyone falls neatly into a discrete box. The number of diversity strands we focus on are growing so looking more broadly at inclusion and valuing diversity of thought can help us get beyond labelling people as one thing or another."
- **A desire to increase cultural diversity.** For global businesses, a key area where talent strategy and inclusion overlap is the desire to build a leadership pipeline that reflects the demographic profiles of countries where the organisation is active. For example, one element of GSK's I&D strategy is to build cultural intelligence globally. The company rolled out GlobeSmart - the online cultural intelligence resource - 2 years ago as a tool to support this. It has profiles for more than 80 countries, setting out the cultural and legal framework and key things to know, such as what's acceptable from an LGBT perspective. It also has a questionnaire that individuals can use to understand their own cultural profile and map to the cultural norm of any other country. For teams, it can help members from different cultures work out how to work productively together. It has also proved helpful for educating recruiters in the cultural nuances they may encounter, for example comparing a candidate from Japan vs. one from the US.
- The **expectations of different generations at work** – young and old – are shaping the agenda. For example, younger generations place greater emphasis on inclusion when deciding where they want to work, and their view of what diversity means may be shifting. Millennials tend to think of diversity and inclusion as being about an environment where open participation by employees with different perspectives and personalities is valued. Creating an inclusive culture is likely to mean organisations can attract a wider range of talent.
- Growing recognition that **people do not necessarily identify with just one minority group.** Lynne Connolly, Global Head of Diversity & Inclusion at Standard Life, said: "As an example, I asked people what categories I could sit in and we came up with nine different things. Personally, I want to work in an organisation that values me as a combination of so many different characteristics." By focusing at the level of organisation culture, it's possible to meet the needs of multiple employee groups simultaneously. Rupert Jones, Head of Pan-European Equity Research at Morgan Stanley, said: "In my view, getting male/female inclusivity right is key to building a strong foundation on which an inclusive organisation will grow and flourish. In doing this, you can organically develop a culture which is much more comfortable for people from other underrepresented groups."

1.2

What is an inclusive culture?

There are many ways of defining an inclusive culture, but we think the following, by Pless and Maak, encompasses the key elements.

"The fundamental element that's common across inclusive cultures is that it's safe to speak up and you will be heard without repercussions. If you haven't got that, I don't think you've created an inclusive environment." **Kusia Pell, Global Inclusion Solutions Consultant, PDT**

> "An organisational environment that allows people with multiple backgrounds, mindsets and ways of thinking to work effectively together and to perform to their highest potential in order to achieve organisational objectives based on sound principles. In such an environment different voices are respected and heard, diverse viewpoints, perspectives and approaches are valued and everyone is encouraged to make a unique and meaningful contribution."

An inclusive culture is assessed through the perspective of those of the non-dominant group on how they feel, so inclusiveness is highly subjective. In inclusive cultures, people feel that

- their voice is heard, listened to, valued and respected, without having to – metaphorically – shout to be heard
- they can speak up about their views and experiences
- evaluation is fair, and that criteria are transparent and equally applied
- there's equal opportunity to participate in projects and discussions, and that activities that lead to greater visibility are equally and fairly distributed (meaning the opportunities are not only provided to favourites or those the boss likes)
- they identify with the company or business unit in ways such as being proud to work there or willingly promoting the company to friends
- they can generally trust management, their immediate manager, and peers and they feel trusted as well
- they don't have to hide who they are or change too much to fit in with the 'norm'.

As a result they are able to contribute fully and give of their best.

In addition, we find the following elements underpin inclusive cultures (See Figure 9).

1. **Trust**. Trust has three key components: *dependability*, i.e. being able to call on others for help, and rely on them to do what they say they will do; *mutuality*, i.e. give and take between the parties in the relationship; and *integrity*, i.e. a quality of moral self-governance that subscribes to and upholds a set of principles, particularly when these are challenged or put under stress. Transparency is key to being able to assess whether or not dependability and mutuality exist.
2. **Commonality**. Having something in common with the other – a shared interest, a shared goal or sense of purpose, or shared experience. Finding common ground, we believe, creates conditions for trust to occur.
3. **Vulnerability**. Being prepared to open up to others, deal with uncertainty, admit mistakes and limitations. Being able and willing to express emotions is part of showing some degree of vulnerability. Vulnerability reveals the common human element in all of us. Brené Brown, author of *Daring Greatly*, has written extensively on this topic.

> Part of building an inclusive culture is allowing people to be uniquely who they are. However, valuing differences alone isn't enough. To be a strong team, or to have a strong culture of trust, individuals need to find commonality, not just respect differences. We can think of this as a Venn diagram. In the one circle, we have the dominant culture, style and values of an organisation. In the other circle, we have the unique qualities of individuals who are not like the norm. To be inclusive there must be some overlap. Ann Morrison et al, in the 1987 book *Breaking the Glass Ceiling*, called this the 'zone of acceptable behaviour'. Thus, the key question is how far is the organisation/team willing to shift towards the individual's style and how far is the individual willing to shift to the organisation/team's style?

What inclusive cultures are not

- **Inclusive does not necessarily mean 'nice'**. Taking account of diverse views can be uncomfortable and result in conflict which has to be managed. According to Kusia Pell: "Some organisations think that because they have a 'nice' culture, that makes them inclusive. Nice can mean people are unwilling to have uncomfortable conversations, which makes it much more difficult to tackle unconscious bias and accept difference."
- **Democratic**. While inclusive cultures tend to be open and collaborative, that does not mean decisions have to be made by consensus, nor does everyone have to be consulted before a decision is made. The critical element is to have a culture where people are able to express their opinions and be heard.

"Vulnerability is the birthplace of innovation, creativity and change." **Brené Brown, author of *Daring Greatly***

The problem with 'culture fit'

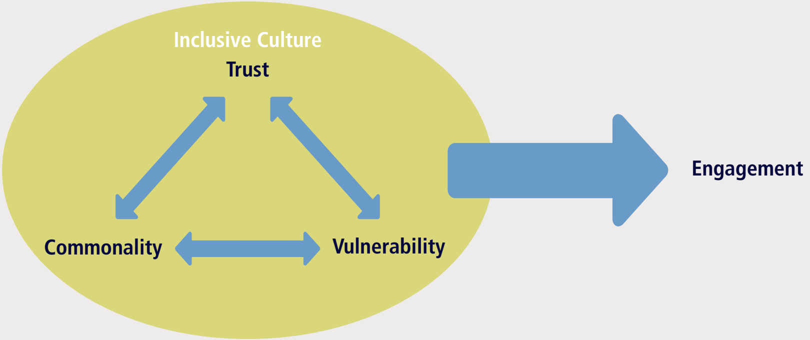
When you ask recruiters what they look for in an ideal candidate, they will often cite 'culture fit'. However, this can mean that they reject anyone who is different from the organisational 'norm'. Company culture can easily thwart individual personality, and people who are different tend to be unsuccessful unless they adapt. For example, a Deloitte survey found that 61% of employees report they are 'covering' some personal dimension in order to assimilate into their organisation. This could help to explain why we are making such slow progress towards gender parity in particular: organisations are looking to hire and promote women who 'fit' their (male-dominated) culture, or require women to adapt to the existing culture. As Frost and Kalman point out: "When [diversity initiatives] become about helping minorities 'blend in' we are left wondering what happened to leveraging the benefits of diversity and different perspectives? Making women learn more stereotypically male traits actually reduces diversity, which is a somewhat ironic goal for a diversity programme."

According to Pless and Maak, there is a cost associated with requiring minority groups to assimilate. "Women, expatriates and minorities are more or less expected to assimilate into a pre-defined and dominant corporate culture. This can create enormous tension for people within these groups. Apart from interpersonal conflicts and experiences of not being heard, recognised or valued, their specific knowledge and experience is not leveraged, they cannot perform to their highest potential and they experience barriers in advancing within the organisation."

Similarly, competency models can foster one 'accepted' way of doing things. Goffee and Jones describe such models as "a deliberate attempt to narrow the range of differences in terms of appropriate capability. In effect, they signal the aptitudes, skills and motives regarded as 'appropriate', which are then carefully measured and rewarded. The message is clear: fit within these boxes or go elsewhere."

While looking for cultural fit is a problem, we also have to admit that having no or very little overlap with the culture probably isn't adequate either. This is a question of being aware of the pitfalls and getting the balance right between difference and fit.

Figure 9: Elements of an inclusive culture



In global organisations, where national cultural norms also come into play, this can add an even greater level of complexity. For example, a British woman who is used to driving herself is asked to take a role in Saudi Arabia. The 'norm' in Saudi Arabia (although it's technically legal) is that women do not drive. Should she adapt or go against the culture? Should the company expect her to adapt or be herself? Creating an inclusive culture is not just about accepting differences and managing biases. It also involves resolving cultural conundrums such as these.

Honesty and transparency are also fundamental to creating an inclusive culture, but it is easy for people to be dishonest with each other around small matters. Each of these on its own may seem inconsequential, but organisation culture is made up of a series of small actions. Take the example of US retail bank Wells Fargo, fined $185m for opening accounts without customers' knowledge. Margaret Heffernan, who has run a variety of companies over her career, commented: "The deeper dishonesty is that targets were set and agreed to that no-one thought they could meet. No-one said 'this is impossible.' You see this all the time – I offer a target of 10, my boss says 'well I think you can do 12.' I don't think I can but I can't afford to have the fight, so now we have just made a dishonest deal. It might not feel like a lie, but that is what it is. And you can't built trust on the foundation of a dishonest deal."

1.3

The business case for developing an inclusive culture

We find that senior leaders are engaging more and more with the diversity and inclusion agenda and recognising the value it can bring to the organisation. For example, PwC's 18th Annual Global CEO Survey 2015 found that, of the 65% of organisations with a formal diversity and inclusion strategy, 85% of CEOs felt it had improved business performance, and 56% said it had helped the organisation compete in new industries or geographies. CEOs also reported that their D&I strategy benefited innovation, collaboration and customer satisfaction. CEOs whose organisations had a formal D&I strategy were more likely than those that didn't to recruit in different markets, industries and demographic segments, use different recruitment channels and search for a wider range of skills.

> "It can be easy for companies to think they have embraced diversity if they appoint the right number of people with the right biological characteristics. That can be hollow if they all come from the same backgrounds – if, say, all the black people a firm promotes... are Harvard-educated sons of diplomats."
> ***The Economist*, 13 February 2016**

- **Financial performance**. Many studies – most notably by McKinsey and Catalyst, the inclusion research organisation – have established a correlation between gender diversity and financial performance. For example, McKinsey has found that companies in the top quartile for gender diversity are 15% more likely to outperform those in the bottom quartile, and for ethnically diverse companies the difference is 35%. We are unable to tell whether this is a causal relationship, i.e. does diversity drive performance, or are higher-performing organisations naturally more diverse? Whatever the case, investors are increasingly paying attention. For example, a fund manager was recently quoted in the Financial Times: "Having too many people who think alike, act alike, come from the same background, perhaps went to the same school or who have all been on other boards together, can lend itself to groupthink. We need directors to ask the tough questions, to probe management and be a little more provocative."
- **Innovation.** Studies have established a connection between team diversity and innovation. IDEO, the design firm, pulls together teams with highly diverse backgrounds – for example bringing together engineers, psychologists and medical doctors – to develop innovative product ideas. Procter & Gamble has seen a 60% increase in R&D productivity since introducing its 'Connect and Develop' tool, which crowdsources ideas for innovation. However, there is a caveat: diversity can lead to innovation, but it also increases team conflict, so companies will only reap productivity gains if they manage teams effectively. We discuss this further in chapter 2.
- **Better connection with customers.** Many of the organisations we interviewed find there is a connection between an inclusive culture and the quality of products and services they develop to meet customer needs. "We are starting to see product design ideas and customer insights coming through our Employee Resource Groups and we are encouraging our product teams to consider how they might help us meet the needs of different diversity groups," said Birgit Neu, Global Head of Diversity and Inclusion at HSBC. Many organisations are finding there is a pull from clients to show they are inclusive. Emma Pace, Global Head of Talent and Learning at PA Consulting, said: "Clients are asking us for this information. They understand the benefits of inclusive teams and are looking for us to be more visible about how we put together our client teams, and the mix of consultants who will be working with them."
- **Attracting talent.** An inclusive culture is good for the employer brand, helps the organisation appeal to a broader range of talent, and increases the chance of attracting the best talent, particularly the young people who represent the workforce of the future. Glassdoor.com's Diversity Hiring Survey found that two-thirds of active and passive jobseekers consider a diverse workforce to be an important factor when evaluating organisations and job offers. Estelle Hollingsworth, HR Director – Talent, Learning & Organisational Development at BAE Systems, said: "Graduates are giving us direct feedback, that they expect us to be able to accommodate how they like to work, for example the technology we use and flexibility at work. These things are no longer luxuries – we need them to compete for the best talent." In addition, according to World Economic Forum, females are now 60% of the graduates of western universities and they are often top of the class. Organisations cannot afford to miss out on recruiting top talent. Having the right strategy to make diverse people feel welcome and included broadens the available talent pool.

Connecting inclusion and employee engagement

It would seem logical that inclusive cultures have higher employee engagement. Indeed, EY has found that teams with the highest engagement scores grow revenues faster and have higher retention. Some of the organisations we interviewed are explicitly linking their inclusion strategies to engagement.

In recent years, creating an inclusive culture has become a big part of the overall diversity agenda at **Shell**. The company has a particular focus on senior women and developing local leaders for local markets, and has also reoriented leadership development towards developing inclusive leadership capabilities.

The focus of leadership development today is to help leaders really understand and explore their leadership style, how they relate to people in their team, how they get things done, and the impact their behaviour has on their team. A key element of this is to understand the link between employee engagement, inclusiveness and performance. According to Jonathan Kohn, HR VP UK, Ireland, Nordics and South Africa: "Inclusion underpins engagement and engagement drives performance." This is backed up by HR analytics, which have shown a connection between engagement and safety performance as well as a positive correlation with business performance overall.

Shell's approach is based on the principle that the biggest driver of engagement is the team leader. "The key question for employees is: 'Does anyone care'?" said Kohn. "Do my line manager and colleagues show interest in the whole 'me' or just delivery of the work? To me, the answer to that question determines whether I work for an inclusive leader, and whether I'm likely to be engaged."

"If you don't utilise the diverse perspectives of different groups and instead try to mould them into all of your values, not only will you lose them but you will also lose their insights on what connects with consumers who share values with them." **David Livermore, author of *Driven by Difference***

Connecting inclusion and employee engagement *continued*

This principle is backed up with specific actions.

- Leaders with six or more team members receive a breakdown for their team of the results of the company engagement survey. They see not only their personal scores but comparisons with norms across the whole company.
- Leader selection has changed: as well as a requirement to have women on the shortlist, engagement scores are considered as part of the assessment criteria.
- Training for first time leaders uses 360 feedback to help them identify their leadership style and develop strategies for becoming an authentic and inclusive leader.
- Individual employees are empowered to have high expectations of the conversations they have with their manager. Regular communications throughout the year, linked to the timings of processes such as performance reviews, set the scene and remind employees of what to expect.

- **Better positioning in global markets.** A key driver for many organisations we interviewed is the need to reflect the diverse populations of the multiple global markets they serve. We think that giving voice to a range of perspectives is also likely to help with horizon scanning, enabling the organisation to tap into developments on the periphery of its core business, and anticipate market disruptions quicker than competitors. For example, at ManpowerGroup, ten years ago most of the people running the Asian business – a major growth market – might have been European, but this has shifted towards locals being in charge. Mara Swan, EVP Global Strategy and Talent, said: "You can't have a successful business unless locals can look up and see people like them running the organisation." We hear similar sentiment from many leaders. However, when it comes to having someone the leader trusts on the ground to make sure things are being done as they should be (think compliance or regulatory matters), leaders more often turn to someone they know well – who usually ends up being more like the leader than not.
- **The right thing to do.** Most large organisations are concerned about how they engage with the broader community, and there are benefits both to the organisation and society as a whole.
- **The hidden costs of disengagement.** Organisations that fail to create an environment where people feel they can contribute fully, give of their best and be authentic, are potentially missing out on the ideas and contributions of a significant proportion of the workforce. For example, the only mother on a product development team who regularly experiences negative comments and eye rolling when she has had to leave first in the evening to collect her children, is less likely to share a potentially lucrative opportunity to make the product more appealing to mothers, because she feels she can't raise the 'mother angle'. So the team is denied the best thinking because she's unwilling to stick her neck out. In 2015 Apple – which has only one woman on the top executive team – was criticised for rolling out a health app that allowed users to track all sorts of health and fitness data – except the menstrual cycle.

For a more detailed discussion on the business case for diversity and inclusion, see the 2011 CRF report *Diversity and Business Performance* (see Reading List).

1.4
A framework for culture change

If we are to create and sustain an inclusive culture, we need to understand what that looks and feels like, and what to focus on to move our organisations in the right direction. Creating an inclusive culture means we need to tackle the routines and practices we have for getting work done, but also the shared deep assumptions about how the world works, how problems are solved, and what is valued.

How leaders define and change culture

Our purpose here is not to distil the extensive literature and thinking on culture change. However, our research has identified two principal areas that require focus.

1. The values, attitudes and behaviours of leaders, both at senior management and front-line leadership level, and of employees.
2. The systems and processes that define what and how work gets done, how work is allocated, and who is selected, promoted, rewarded and exited from the organisation.

Edgar Schein identified two sets of mechanisms that are the major 'tools' available to leaders to influence or change the organisational culture.

> "We need to weave messages about the importance of inclusiveness through every stage of our people processes. It's about lots of little things that together build up to a change in behaviour."
> **Birgit Neu, Global Head of Diversity and Inclusion, HSBC**

Primary embedding mechanisms

- What leaders pay attention to, measure and control on a regular basis.
- How leaders react to critical incidents and organisational crises.
- How leaders allocate resources.
- Deliberate role modelling, teaching and coaching.
- How leaders allocate rewards and status.
- How leaders recruit, select, promote and excommunicate.

Secondary articulation and reinforcement mechanisms

- Organisational design and structure.
- Organisational systems and procedures.
- Rites and rituals of the organisation.
- Design of physical space, facades and buildings.
- Stories about important events and people.
- Formal statements of organisational philosophy, creeds and charters.

Additionally, we believe that successful implementation of an inclusive culture requires the following.

1. A strong connection to business strategy.
2. Clear ownership by the line, supported by HR.
3. A systemic view, recognising that single initiatives are unlikely to be successful, and that what is required is an integrated approach that harnesses all elements of the system to pull in the same direction.

Over the next two chapters we consider the practical role that leaders play in supporting an inclusive culture, and then delve deeper into specific examples of how organisations can remove barriers in their systems and processes and make them more inclusive.

What is culture?

According to Wikipedia, organisation culture encompasses the values and behaviours that contribute to the unique social and psychological environment of an organisation. It has also been described by Deal and Kennedy as "the way things get done around here." More intriguingly, Bob Diamond, former CEO of Barclays, said: "The evidence of culture is the way people behave when no-one is watching."

Edgar Schein, a leading thinker on organisation culture, contends that it can be analysed at three different levels.

1. **Artefacts**: all the phenomena you would see, hear and feel when you encounter a new group with an unfamiliar culture. These can be difficult to decipher.

- Visible and 'feelable' structures and processes.
- Observed behaviour.

2. **Espoused beliefs and values:** these may or may not be congruent with behaviours and other artefacts. When there is misalignment, usually because people don't act in line with what they say they value, this can erode trust.

- Ideals, goals, values and aspirations.
- Ideologies.
- Rationalisations.

3. **Basic underlying assumptions:** these determine behaviour, perception, thought and feeling. Any questioning of a basic assumption will release anxiety and defensiveness, which explains why 'changing' culture provokes such anxiety.

- Unconscious, taken-for-granted beliefs and values.

Schein argues that any action to change culture needs to address each of these levels.

2

INCLUSIVE LEADERS AND TEAMS

Topics covered

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Introduction

This chapter explores the role leaders play in creating and sustaining an inclusive culture, and the responsibilities employees have to act in ways that support the inclusive culture, or call out when words are not backed up with action. We consider how leaders set the context and tone within the organisation, and influence action through establishing priorities and holding their people to account. We also tackle the critical role frontline managers play in driving the day-to-day behaviours that determine the extent to which a culture is truly inclusive.

> "In an inclusive culture employees know that, irrespective of gender, race, creed, sexual orientation and physical ability, you can fulfil your personal objectives by aligning them with the company's, have a rich career and be valued as an individual." **David Thodey, CEO, Telstra**

Edgar Schein said: "Culture is created, embedded, evolved and ultimately manipulated by leaders." The actions, attitudes and behaviours of leaders are critical in creating and maintaining an inclusive culture. We find leaders influence culture in two principal ways.

1. Senior leaders set the tone through what they say, following rhetoric with action, and holding people accountable.
2. Line managers have a significant effect on their teams.

Individual team members also play a critical role in acting inclusively. It's often the behaviour of peers – rather than managers – that leads to people feeling excluded, so attention needs to be paid to this too.

2.1
The impact of top leaders

Senior leaders set the tone for the organisation, and their actions determine what others pay attention to. We found a number of consistent themes associated with the most effective senior leaders.

The CEO has to visibly 'own it'

The visible commitment and support of top executives is a key common attribute of inclusive organisations. Senior executives need to take every opportunity to get the message across, whether in large 'town halls', smaller team meetings or one-to-one. It is also essential that the 'majority' (usually white men) – and not just women or other minorities – hear and understand these messages. The CEO has to consistently share the same message, and ensure that the rhetoric is matched by tangible actions. Some examples follow.

- Unilever's CEO, Paul Polman is visible and vocal in his support for actions to build an inclusive culture. For example, he is an Impact Champion for the UN-sponsored initiative HeforShe, which promotes gender equality around the world. He also jointly chairs a global diversity board with Leena Nair, Unilever's CHRO. Inclusion features regularly on the agenda at the CEO Forum, where the company's top global leaders get together. Burcu Cantekinler, Global Diversity & Inclusion Manager, commented: "Paul takes every opportunity to reach across the organisation and promote the agenda. It comes across that he genuinely believes in it."
- When the new CEO of Mercer, Julio Portalatin, held his first global town hall as CEO, the first thing he spoke about was how important diversity and inclusion was to him. According to Deirdre Golden, Principal at Mercer: "This had a major impact. It put the topic at the top of the agenda, and was a real game-changing moment."
- Don't just rely on second-hand information. Jonas Prising, CEO of ManpowerGroup, makes a habit of checking the pulse of the organisation directly with front-line employees. He then follows up if something doesn't feel right.
- It can help to have a diverse top team. Prising is Swedish, he's lived in various countries and speaks seven languages. The rest of the ManpowerGroup top team is diverse, comprising people of different nationalities, several of whom have spent periods of their career living in other countries. At Penguin Random House UK, CEO Tom Weldon has openly spoken to staff about his sexuality, and how important it is to him that work is a 'safe' place for him to be 'out'. The board is 50% female, with other openly gay members and others working part time.

The role of top leadership

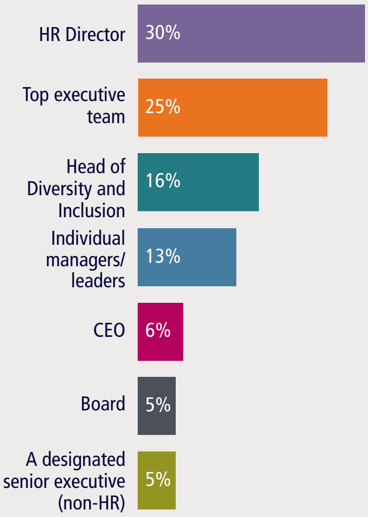
Boris Groysberg and Katherine Connolly of Harvard Business School interviewed 24 CEOs about how they had built inclusive cultures in their organisations. A number of common themes arose.

- CEOs took personal responsibility and did not hand it off to someone else in the organisation.
- They did not see it as a 'one-and-done' initiative – they followed through over time, and treated it as a personal mission.
- Their reasons for pursuing inclusivity were two-fold: they believed it was a business imperative to help their organisations stay competitive, and they saw it as a moral imperative based on their own experiences and values, in particular their own experiences at times of being an outsider.
- They defined an inclusive culture as one where employees can contribute to the success of the company as their authentic selves, and where the organisation respects and harnesses their talents and gives them a sense of connectedness.

Who's responsible?

In the CRF member survey, we asked who's responsible for driving actions to create an inclusive culture.

Figure 10: Who is responsible for driving the actions/programmes which support the creation of an inclusive culture in your organisation?



Source: CRF Member Survey

What motivates some leaders more than others to champion inclusion? Catalyst identified 'a strong sense of fair play' as the most significant predictor that men would champion gender initiatives in the workplace. We also find that personal experience – often of sisters, mothers or daughters – encourages men to focus on this issue. "More than having an awareness of bias, men must have a commitment to the ideal of fairness – a strong personal conviction that bias is wrong and that the ideal of equality is one for which they should stand up." (Catalyst, 2009).

Clearly assign accountability

You are unlikely to gain traction unless accountability for delivering on objectives around creating an inclusive culture are broadly shared among leaders at all levels. Deirdre Golden, Leader, Global Diversity Forum at Mercer, said: "Energy needs to be maintained over time. You can't just make a speech and leave it at that – there has to be consistent follow-through." Many CEOs do this by making their people accountable for delivering results. Research by Dobbin et al (2006) found that accountability was one of the most effective mechanisms for increasing the diversity of the labour force. Organisations in our study used a variety of tactics to increase accountability for building an inclusive culture.

- ***Require leaders to report regularly on metrics, and include in personal ('bonusable') objectives.*** Leaders need to be held to account if they don't deliver. Some organisations are even experimenting with tying compensation to objectives around diversity and inclusion. For example, UK broadcaster Channel 4 has set objectives for diversity that will affect the annual variable pay pot for executives. Senior managers risk losing bonus payments if the organisation fails to ensure by 2020 that 20% of all staff and 15% of the top 120 leaders are black, Asian or from an ethnic minority. According to Ripa Rashid of Hewlett Consulting Partners/Center for Talent Innovation: "Tying diversity to executive compensation is not a silver bullet but it sends a message about accountability." In reality, culture is much harder to measure than hard numbers such as the representation of minority groups in the workforce.
- ***Generate informal accountability.*** It's possible to hold people accountable in more informal ways other than performance measures or bonuses. For example, by simply asking about progress in regular conversations, by tracking numbers (retention, gender split across functions etc.) and asking about the plan to correct. Accountability doesn't have to be just top-down: senior peers can also hold each other accountable.
- ***Make business leaders (not HR or Heads of Diversity) accountable*** for balance at all levels of the organisation and across functions. The results of the CRF survey suggest that there is still a long way to go on this point. We asked who is responsible within the organisation for driving actions to create an inclusive culture. The most common response (31%) was the HRD, with a further 16% identifying the Head of D&I. Just under one-quarter (24%) cited the top executive team, with only 6% saying their CEO spearheaded this agenda (See Figure 10).
- ***Ask leaders with most ground to make up to take responsibility for key elements.*** Unilever's CEO has deliberately asked some senior leaders whose areas are further behind, to join his global diversity board, in order to raise visibility and focus action in those areas.

"Leadership and culture are two sides of the same coin." **Edgar Schein**

- ***Devolve accountability broad and deep in the organisation.*** Make inclusion goals part of the performance objectives of leaders at all levels, not just one or two senior executives. At Transport for London, each member of the executive committee is responsible for leading a different element of the inclusion strategy. Unilever has a network of leaders across the organisation who are nominated as advocates for inclusive leadership, front campaigns and act as role models. Fleur Bothwick, EMEIA Director of Diversity at EY, commented: "Targets have to cascade down through the permafrost. It can't just be the people at the top who are held accountable. Everyone has to know there are targets and feel some ownership for reaching them."

- ***Use the element of competition.*** Some organisations publish league tables comparing results on demographics across different areas. At ManpowerGroup, the CEO compares employee net promoter scores across different business units and calls up leaders whose teams have lower scores to check on what's impeding progress. "He'll say 'they can do it over there, so what's stopping you?' said Mara Swan, EVP Global Strategy and Talent. Unilever invited nominations for a 'global inclusive leader' competition in 2015, to showcase people at team leader or factory supervisor level who are demonstrating the characteristics of inclusive leaders.

Engage senior leaders by linking with business goals and company values

Although we find that many organisations understand the business case for diversity, they need to ensure they connect inclusivity goals with the core purpose, strategy and values of the organisation. Being clear about how inclusion can help drive business results is key. Several of our interviewees highlighted this as a key element of how their organisations had established momentum around the inclusion agenda. Kusia Pell of PDT, who helps organisations develop a culture of inclusion, says the starting point when working with top teams is to establish how inclusivity can help deliver the organisation's longer-term goals. "We look at the organisation's strategic goals and identify direct links between inclusion and the success of those business deliverables." Also, we have a conversation with the senior level in terms of 'what would you not be able to do if you got this wrong?'." The following can also be helpful in building a sense of urgency with the senior team.

- ***Connecting to core purpose.*** For example, ManpowerGroup was founded in the aftermath of the second world war to help women find work, and this sense of purpose still underpins its inclusion agenda. A key element of Unilever's 2020 sustainability agenda (doubling sales while reducing environmental impact) is to empower women in the developing world, and it knows it's important that internal practices are consistent with these objectives.
- ***Connecting to existing culture change programmes***. At Centrica, the appointment of Iain Conn as CEO has resulted in a new strategy and organisation design, underpinned by a culture change programme, a key element of which is building a more inclusive culture. The programme includes reviewing the company's values, and using this opportunity to incorporate more inclusive behaviours in the company's leadership standards. Alison Hughes, Group Head of HR Policy and Diversity, said: "We are using the redesign of the organisation as an opportunity to embed new practices." Similarly, Siemens has begun to see traction around its ambition of creating a more inclusive organisation through linking inclusion with a broader culture change agenda, which focuses on building an 'ownership culture'. Dan Simpson, Head of Talent, Siemens UK, said: "Bringing together the concepts of 'inclusive culture' and 'ownership culture' has allowed us to put together a compelling story. The key messages are: if you feel you can turn up and be yourself at work, you will feel empowered to take ownership. The two go hand in hand."

"We are what we repeatedly do. Excellence, then, is not an act but a habit." **Aristotle**

- ***Connecting to corporate values.*** PayPal's corporate values are inclusion, wellness, collaboration and innovation. Priyanka Banerji-Bhatia, Director, Human Resources, said: "Having inclusion as one of our four corporate values makes it easier to make this part of the ongoing conversation in the organisation and to raise our people's expectations around actions we will take. It also gives us a competitive advantage from a commercial and talent standpoint." These values could be seen in action when the company abandoned plans to open an office in Charlotte, North Carolina, in response to the enactment of a law barring local governments from extending civil rights protection to gay and transgender people.

- ***Make the senior team more inclusive.*** Several interviewees said that their senior teams were increasingly concerned that senior management should better reflect the general employee population. Dan Simpson said this is an opportunity to put the argument in a more analytical way. "My CEO says: 'I can buy the argument that the make-up of senior management should not be radically different from the workforce as a whole'."

2.2

Translating good intentions into meaningful actions: the key role of the manager

Senior executives clearly have significant influence around what gets attention in the organisation. However, what really makes a difference to how individual employees experience the culture day-to-day is the relationship with their immediate line manager and colleagues. Managers create a sub-culture within their teams that determines how an individual subjectively experiences the culture. Whether an individual feels included is largely determined by how their manager treats them and what the manager tolerates from the team. Often, something that might seem insignificant – such as how managers greet individual team members in the morning – can add up over time to a pattern that undermines certain people, makes them feel left out, leading ultimately to them being unable to make the most of their talents.

This places an enormous responsibility on middle managers, who already face multiple competing pressures and demands. One of the implications is that organisations wishing to invest in an inclusive culture may need to rethink how they select, develop, measure and support managers.

What do inclusive managers do?

A number of themes emerged from our research around the types of behaviours that mark out inclusive managers.

1. **Create a climate where everyone has a voice.** The potential contribution of minorities can be lost because they are unable to make themselves heard. This can be especially true of women, who may hold back more than men when it comes to expressing opinions, or who sometimes find that their comments are either ignored or appropriated by a (usually male) colleague. It's also important that the manager is open to team members' disagreeing with the prevailing view, and creating space for – not shutting down – constructive debate.

> "This is the conundrum of inclusivity. We think it's a macro thing, when it's actually a micro thing. Whether you feel included or not hinges on the relationship and conversations you have at a one-to-one level with those around you." **Mara Swan, EVP Global Strategy and Talent, ManpowerGroup**

We find organisations are also starting to consider how to accommodate different personality types, such as introverts and extroverts. That might mean running meetings differently to suit the needs of introverts, or modifying the criteria used to judge potential so that more talkative people don't have a natural advantage. Technology can assist in quantifying this behaviour. For example, Humanyze has developed wearable devices for employees which measure how people interact, who they interact with, their tone of voice, and if they lean in to listen. Harvard Business School has 'scribes' in classrooms, who help faculty keep track of who they ask to speak in class. Professors have access to data on class participation graded by factors including gender and whether individuals are native English speakers.

2. **Give every employee *personalised attention*.** Susan David, CEO, Evidence Based Psychology, has found that the common factor distinguishing the pockets of organisations with the highest levels of employee engagement is that bosses give individuals personalised attention. "Inclusiveness is about more than gender, racial or cultural diversity. What matters most is a fundamental mindset that embraces every person as an individual and helps them bring who they are – both their backgrounds and their opinions – into the workplace." Rapport and chemistry are a fact of relationships, but can lead to unequal treatment. It's important, therefore, to build rapport not just between people who share similarities, but also between those who are different. In her coaching work Wanda Wallace (co-author of this report and CEO of Leadership Forum, Inc.) finds that when the relationship between a manager and their subordinate is not going well, invariably the manager knows very little about their team member – their family circumstances, whether they have children, their interests outside of work, and so on. It's difficult to build rapport with subordinates – an essential element of building trust – if you don't know anything about them.

3. **Flex management style in response to individuals' different needs.** Some people need lots of praise, and feel insecure in the absence of feedback; others just want to be left to get on with the job. Inclusive managers need the self-awareness and empathy to understand what management style suits each individual, and how best to respond. Inclusive leadership is about treating people fairly and appropriately, not treating everyone the same.

4. **Focus on outputs, not inputs.** Set clear performance standards, and focus on measuring the things that really matter, rather than how much time someone spends in the office, or who shouts loudest.

5. **Think about context.** If you hire someone for the different style they bring, or the different way they think about an issue, you will need to consider whether they need support to integrate. What conditions do you need to create around that individual to ensure they are successful? Is there a risk of 'organ rejection' and, if so, how can you avoid that?

6. **Pay attention to the relationships between team members.** Peers can create an unhealthy team culture among themselves, for example making comments when a woman has to leave on time to collect her children, or excluding certain people. The manager has to pay attention to team dynamics and deal with issues that arise.

> "What differentiates the best performing parts of the business from an inclusion perspective, it's down to the leader and local market practices. When you have a highly inclusive leader, you get noticeably different outcomes." **Christian Hug, Senior Director Lifeworks and Inclusion, Discovery Communications**

Micro-behaviours

Below we set out a checklist of 'micro-behaviours' that make a difference in helping individuals feel included. Together, they add up to a broader picture of how inclusive an organisation feels.

Decision-making

- Pause before making a decision. Take time to consider the following.
  - What's the evidence on which the decision is based?
  - Have you actively sought the views of anyone outside your 'in-group'? Who did you include and who did you leave out of the decision?
  - Who in your circle has influenced your thinking? How similar to you are they?
- Keep on top of the data for your team, in terms of in-flows, out-flows and trends among minorities, and also employee survey responses and any other available indicators that provide a snapshot of the culture. Who's being hired? Who's being promoted fastest? Where are the bottlenecks?
- Before making decisions about promotions or hiring, for example, look at the impact on balance in the team, and reconsider if necessary.
- Ask questions if data or trends don't look right. Make sure people understand you take this seriously.
- Think about where you are investing your time and energy. Ask questions such as who you are mentoring and sponsoring, whether they are all people like you, whether they are outside your immediate circle.
- Complete the Implicit Association Test (https://implicit.harvard.edu/) to understand your own biases (See Chapter 3).
- Get up to speed with the latest research on diversity and inclusion, and how unconscious bias might influence decisions. The references in the Reading List may be helpful here.

Interacting with others

- How well do you know the members of your team? Are you clear about what motivates them and how they ideally would like to be managed?
- Can you adapt your management style to respond to the needs of different individuals?
- Have you worked out how to establish rapport with team members who are 'different' from you?
- Think about interactions with direct reports over the past week. Whom did you offer to connect with a senior colleague? Whom did you advise on workplace politics? To whom did you mention a plum project opportunity? Did these interactions vary by gender, race etc.?
- Pay attention to who asks for things such as promotions, pay rises or assignments to key projects. Consider who else might have earned it, or would most benefit from it, before granting a request.
- Take opportunities to put yourself in another person's shoes, perhaps through reverse mentoring. Ask questions such as "What is it like being the only black/female on the team?"
- Consider the 'norms' of the team, such as how you socialise together, in-jokes, shared banter. Does this consistently exclude certain people?
- Pay attention to who's included in informal activities, such as who goes for lunch together.
- Notice if casual conversation is excluding someone else – and either bring them in or change the subject.
- Notice when you instantly 'connect' with someone, and recognise the bias in that connection.
- Monitor whom you spend informal time with on your team. With whom are you most comfortable stopping for a quick chat? Who manages to get into your office for casual conversations? Where do most casual conversations occur? Are all of those evenly distributed across your team or are you accessible to some people more than others?

> "Cracking the middle management population, and getting them engaged, is key. It's great to have visible commitment from the top, but if you are not hearing your line manager talk about this, or seeing them behave consistently with messages from the top, the effect is diluted." **Alison Hughes, Group Head of HR Policy and Diversity, Centrica**

Running inclusive meetings

- Consider having a neutral observer in meetings. Look at whose ideas are acknowledged, built on and adopted, and whose are ignored or appropriated by someone else. Do certain people consistently take over the conversation? Are there patterns by gender, race etc.?
- Actively draw into the discussion introverts or people who don't tend to say very much, people whose native language is not English or whose culture respects reticence.
- Look through the eyes of introverts at how work gets done – is it predominantly in large meetings where only those with the largest personalities are heard? Do you select based on how well someone performs in interview, which can favour extroverts? Amazon begins some meetings by requiring attendees to read a memo on the subject of the meeting before anyone can talk. This shifts the emphasis towards more detailed discussion of the memo's contents, and is designed to prime introverts to make a greater contribution.
- Have a 'no interruption rule' so each person completes what they want to say without being cut off.
- Have people take turns at chairing a regular meeting. Make sure the 'out-group' people go first.
- Make sure you summarise all the points you've heard – including the divergent ones.
- Take a moment at the start or end of a meeting to reflect on the inclusion implications of what is about to be discussed or what has been agreed. Some organisations begin meetings with an 'inclusion moment' to reinforce corporate values around inclusion, and to set the tone for the conversation.
- 'Prime' the conversation by discussing a real-life case study. Estelle Hollingsworth, HR Director – Talent, Learning & Organisational Development at BAE Systems, is working to introduce this approach at meetings in 2017 where people issues are discussed. At the start of the meeting, participants read and briefly discuss a story about a real event that involved some form of bias. Discussing what can be learned from the experience often unconsciously nudges people into a different frame of mind in the ensuing discussions.

2.3
Building inclusive teams

Trust

We discuss in chapter 1 the importance of trust in creating an inclusive environment. Trust is fostered at the individual work group level. Therefore, the ability of team managers to foster and sustain an environment of trust is a critical element of inclusive leadership. For managers, a lack of behavioural integrity – failing to 'walk the talk' – is one of the quickest ways of eroding trust. As we discuss further below, diverse teams can be more creative and productive, but they can also be hard to manage. Therefore, building trust is crucial to get a diverse team to be inclusive, and to realise the potential gains in terms of creativity and productivity. In-group bias, described in the column page 30, makes it harder to build trust among highly diverse teams.

David Livermore, author of *Driven by Difference* and President of the Cultural Intelligence Center, says managers need to build trust within diverse teams in two ways.

Recommendations for managing meetings inclusively

PDT, a consultancy that advises on building inclusive cultures, has developed the following checklist for reducing unconscious bias in meetings.

Before the meeting:

- Consider who you have consistently listened to in past meetings with the same group.
- Re-assess the meeting agenda; pre-plan who should lead each item.
- Is there an individual who consistently sways the final decisions? What is it about this person that is so persuasive?
- Are there individuals that you are more comfortable being questioned by than others?
- Ask a colleague to monitor your meeting behaviours – in terms of the above points and resulting micro-behaviours.

During the meeting:

- Solicit everyone's opinions. Remember not to always draw upon the same people's opinion, but equally do not discount their opinion on this basis.
- Follow the meeting agenda; if the meeting raises topics for further consideration extend the meeting time or arrange another meeting.
- Ensure the final decision is balanced and is not influenced by the power a single individual may hold.
- Be open to challenges from all parties by asking for counter-opinions and examples.

After the meeting:

- Book a time for feedback from your observational colleague. Work through their feedback objectively and take notes.
- Before your next meeting, re-read these notes and consider how to incorporate the feedback. *Source: PDT*

> "We find that great things can happen when the line manager is on board with inclusivity, but if not, it doesn't matter what's being done at C-suite or grassroots level, it doesn't lead to a sea-change."
> **Charlotte Harding, Principal, Mercer**

In-groups and out-groups

Social identity theory suggests that we are favourably biased towards those we perceive as being in our 'in-group' and wary of those we consider to be in the 'out-group'. Common in-groups include family members and people of the same gender, race, culture or religion.

- Not only do we give preferential treatment to our in-group, but we also apply double standards. We see the actions of our in-group as well intentioned, just and fair, and judge the actions of the out-group more harshly.
- We view the out-group as more homogeneous than it actually is, and members of the in-group as more varied than they actually are. In-groups also have a tendency to minimise differences between members and maximise differences between in-group and out-group members. These phenomena can increase polarisation and conflict between the groups.
- Studies have found it is relatively easy to create in-group bias, whereby people will privilege in-group ahead of out-group members, even if the group identity is based on seemingly inconsequential characteristics. For example, in one study randomly assigning people to 'purple' and 'orange' teams heightened in-group bias between team members. A word of caution: this has been shown in laboratory experiments, but the results are not so clear cut when tested outside the laboratory.

For diverse teams, being in an out-group can be a barrier to co-operative behaviour and may lead to team conflict.

- They need to gain trust from team members with different cultural backgrounds. Trust can mean different things in different cultures. For example, while telling a story about what you learned from failure on a previous project may make you seem more human and approachable in the US or the UK, in a culture where loss of face is viewed negatively, you may need to tell the story differently.
- They need to build trust among team members, so individual team members feel they can relate well to each other.

Livermore suggests five strategies for building the trust that's needed to make diverse teams inclusive.

1. ***Leverage the power of in-group bias.*** Research has shown that in-group bias can be triggered relatively easily. Helping the team to bond around something they have in common, such as shared purpose, can help to establish cohesion within a diverse team.
2. ***Build team competence.*** Find ways to demonstrate the value that the different skills and perspectives of the individuals in the team contribute to achieving the overall team goal, and bring out the strengths of individual team members. This can help build a sense of 'group efficacy' – i.e. confidence among team members that they are all able to perform what is expected of them.
3. ***Develop team results.*** Build the group's confidence in its ability to achieve the required results collectively. Frode Hvaring, Head of HR, EBU-Eurovision, the world's largest association of public broadcasters, agrees: "A clear common purpose can help align the team around what needs to be done. The team will be more self-organised and will find its own way of achieving its goals."
4. ***Create psychological safety.*** This means a group climate where individuals are comfortable about proposing ideas without feeling they will be negatively judged or ridiculed. Leaders can nurture this by explicitly inviting input and feedback, by role-modelling openness and inclusive behaviour, and by toning down those who are too dominant or negative.
5. ***Set short-term goals so teams can see the benefit of working together.***

We would add the following.

- Trust comes when people see something similar between each other. This is easier for in-groups, but needs more work with out-group members.
- The key is to take time to find commonality, but not just to look in the obvious places such as having attended the same university or a shared interest in sport.
- After finding what's in common we need some degree of openness with each other: making ourselves vulnerable in small ways that build to larger ways over time.
- None of this can happen without time together and shared experiences. Ideally those experiences should be outside of each party's comfort zone some of the time. So, shared experiences can't always be what the 'boys' enjoy doing if you want the 'girls' to share the experience – or what the runners enjoy, or the foodies or the introverts.
- Somewhere along the line trust needs to be proved by being tested. How do I have confidence that you will back me behind closed doors until I have seen you do exactly that?

> "What differentiates leaders who 'get it' is you can see how frequently they talk about engagement and inclusion. They put their diary where their mouth is. When they talk about inclusion, they link it to business issues – it's not just a tick-the-box exercise." **Jonathon Kohn, VP HR UK, Ireland, Nordics and South Africa, Shell**

Is inclusive always better when it comes to team effectiveness?

Inclusive teams value the diverse perspectives that different team members bring. But does that mean they perform better? Research on the effectiveness of diverse teams suggests that more diverse teams can result in higher performance, but only in certain circumstances. Our 2011 CRF research report *Diversity and Business Performance* explores this topic in more depth. In summary, researchers recognise that there is a price to pay for diversity – a 'process loss' arising from conflict and communications difficulties among team members, and greater ambiguity. This needs to be managed. Margaret Heffernan said: "To make an inclusive team work, you have to be very good at managing conflict. You have to buy in to the idea that conflict is a source of great ideas, and you have to be willing to accept that it will take more time. If you want everything to be harmonious and smooth, you're not going to be able to be inclusive."

Research by Robin Ely and colleagues (Ely et al, 2012) compared ethnically diverse teams, and found the following conditions need to be met in order to realise the benefits of diversity.

- All team members (i.e. both minority and white representatives) must perceive that the team encourages members to share their ideas and insights – in other words, they perceive the team's learning environment to be 'supportive'.
- Where all team members feel comfortable that the environment is safe for interpersonal risk-taking, they are more prepared to share information and insights and put forward ideas, which enhances team performance.
- Where teams adopt supportive behaviours, trust can be built, which allows the team to overcome stress and conflict and equips it better to handle challenges, leading to enhanced performance.
- Where one or other, or both, groups (whites and minorities) do not perceive the team learning environment to be 'supportive', diverse teams perform less well than homogeneous teams.
- Where the environment is perceived as unsupportive, the race dynamics in the team can inhibit mutual learning, undermining performance.

The implications of this study are that diversity does not automatically result in better performance. In order to benefit from diversity, organisations need to focus on the following.

- Creating team environments that build trust and encourage team learning behaviours such as sharing information and insights and giving feedback.
- Training managers in the skills needed to create and sustain such teams.
- Developing better capability in managing disagreement, contentions and conflict without either damaging relationships or avoiding difficult issues.

Right team, right task

Iris Bohnet, Professor of Public Policy, Harvard Kennedy School, suggests the accumulated knowledge base on team effectiveness can help us decide the appropriate team composition for the task in hand. "Knowing about group dynamics, you can create groups strategically to meet a particular objective." Bohnet suggests the following rules of thumb.

- If a task involves co-ordination, homogeneous groups can be helpful.
- If a task involves individual problem-solving, diversity may produce spill-over effects that boost the overall performance of the group. For example, the performance of students overall can be enhanced by an over-representation of girls, as girls are likely to work harder and be less disruptive than boys, thus also helping to raise the performance of boys.
- For tasks involving collective problem-solving, heterogeneous groups, where the individual knowledge and skills of different group members complement each other, are likely to result in higher performance.

According to Bohnet: "For diversity to increase group performance you need team members whose different perspectives add value while keeping the cost of co-ordination as low as possible. ...The more relevant knowledge increases with each additional team member, the more positive the impact."

> "Proponents of diversity often fail to acknowledge that there can be a trade-off: to get the benefits, employers must be prepared for, and deal with, some problems. Diversity does not produce better results automatically, through a sort of multicultural magic. It does so only if it is managed well."
> ***The Economist*, 13 February 2016**

Selecting and rewarding inclusive leaders

Inclusive leadership needs a different mindset and skills from what many organisations look for in their leaders. These include self-awareness, emotional intelligence, a willingness and ability to challenge their own preferences and biases. Inclusive leaders have to

- know their people as individuals and as whole people
- be able to build a team environment that matches Ely's description on page 31
- be available to everyone equally, formally and informally
- be able to read when someone is getting isolated or marginalised and take an action that helps
- build trust.

This has implications for the criteria we use to select managers and leaders. The best technical person may not be the most appropriate team leader. As a minimum, we need to help technical leaders understand the new demands that are placed on them when we ask them to lead in ways other than using their technical expertise. Our 2012 CRF report *Developing and Broadening Specialists* explores this topic in depth.

We found some organisations are beginning to use technology such as gamification to identify people who have the potential to be inclusive leaders. For example, Mercer is partnering with pymetrics, which uses behavioural games that collect quantitative and unbiased data on cognitive and emotional aptitudes, which can then be mapped to career options. Relying on these data points allows for more objective and accurate career assessment than the traditional approach of using a person's interests, motivations, or academic history. While counterintuitive, using interests or background as a basis for career choice often perpetuates bias by following gender stereotypes.

Creating an inclusive culture may also require organisations to rethink how they assess and reward managers' performance – for example, they might decide to reward and promote those who are known to be skilled in creating inclusive teams. Some organisations have integrated inclusive leadership behaviours into their leadership frameworks, and use these to select, appraise and promote leaders.

Developing inclusive leaders

Building the leadership capability to support an inclusive culture may require organisations to think differently about how they prepare, develop and support leaders.

- **Start early.** We think it's important to identify and train potential leaders as early as possible in their career, when there is most potential to shape their leadership style. However, we find that investment in training lower-level managers has declined. In addition, we have not focused early enough on developing the skills that are needed to build an inclusive culture. Charlotte Harding, Principal at Mercer Talent, said: "One of the reasons many organisations are struggling with developing an inclusive culture is they're not investing enough in developing line managers early enough in their management career. There's too much emphasis on technical competency, and they're not getting the opportunity to develop their own leadership style and skills." Some organisations are taking steps to address this. For example, BAE Systems' first-line supervisor programme focuses on helping new managers work out what they need to value as a first-line manager, what sort of climate they need to create, and how they can be inclusive as a manager.

- **Provide tools and techniques to understand others.** It's helpful to provide a language or simple diagnostics to help managers think through the mix of personalities within their teams, and where conflict might arise among team members. Some organisations we interviewed use tools such as MBTI, FIRO-B or others to understand team dynamics. These can form a useful basis for managers to have open discussions with their teams about what issues might arise, and how they might mitigate these. (See the column on page 33).

- **Help them understand their own personality and biases.** Miguel Gurrola, Managing Director Conscious Performance and Certification Agent of the Hofstede Centre, recommends helping managers build self-awareness. "You have to work with decision makers to build their self-awareness, and to help them understand their motives, values and preferences."

- **Develop tactics for managing difficult conversations that involve conflict and competing views.** However comfortable managers are in leading a team through a discussion where there is disagreement, we can always increase skills. Everyone needs to learn how to mediate a disagreement or to orchestrate a team discussion so everyone is heard and tensions are not allowed to run too high.

> "A diverse workforce only becomes inclusive to the degree people have the time and the means to get to know each other well and build social capital. You have to create an environment in which people want to and are expected to get to know each other." **Margaret Heffernan, Author of *Wilful Blindness***

We believe leaders need to be aware of potential biases – not least their own personal biases – and to be helped to develop strategies to keep them in check. These biases, as noted below, are most noticeable at points of selection such as hiring, promotion, talent discussions, special assignments and occasions where managers select people they trust most. The most critical biases to monitor include the following.

- Personal biases such as homophily (i.e., having a preference for people like you) and stereotypes.
- Process biases such as confirmation bias, horns and halo effect (see chapter 3).
- The situations and factors, such as time pressure and fatigue, that make them vulnerable to bias.

2.4
Roles and responsibilities of individuals

We discuss above the implications of an inclusive culture for senior leaders and line managers. But what are the implications for individual employees?

We find there are three notable implications.

1. **Individuals have a role to play in creating an inclusive culture and need to take responsibility.** They need to be prepared to tell their story, complexity and all. For example, if a woman is asked to share with a senior leader the challenges she has faced in advancing her career, but she is not open about what she's experienced, then the opportunity to educate that leader to think and act differently is lost. Similarly, colleagues need to speak up and challenge their peers or superiors when minorities are ignored or patronised. Ethan Schutz said: "People should be prepared to speak truthfully and share their thoughts, feelings and assumptions. Managers can create trust by 'going first' – sharing their vulnerability, feelings, assumptions, and how they respond best."
2. **For a culture to succeed we have to focus on more than difference.** This means minority members have to help create common ground with the majority. Both have a role to play in mutual creation. The more minorities can understand about how the majority thinks and works, the easier it will be to find commonality. This does not mean letting majority group members off the hook; both minority and majority members have a role in creating an inclusive culture. As the Venn diagram in figure 11 illustrates, there has to be an overlap between majority and minority values and actions, without each party having to depart too far from their natural style.

FIRO theory

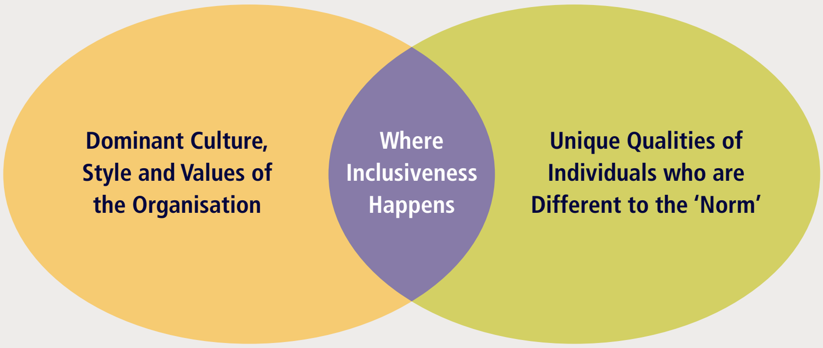
Fundamental Interpersonal Relations Orientation (FIRO) is a theory that explains how people prefer to interact with others. William Schutz developed the theory in the 1950s to measure and predict interactions between people for the purpose of assembling highly productive teams. It holds that when people get together as a group, there are three main interpersonal desires they are looking to fulfil: inclusion, control and openness. Problems arise when people become rigid about their preferences and are unwilling to flex to accommodate the preferences of someone else. Similarly, if the organisation culture works against that individual's preferences, that person will likely feel excluded.

In the course of the original research, Schutz also developed the FIRO-B instrument which is used to measure the preferences of individuals, to understand how different group members are likely to relate to each other, and the challenges they might face in getting along together. After extensive experience using the theory and instrument, Schutz returned to FIRO theory to revise and extend the original work. In doing so he created Element B (successor to FIRO-B) along with other components such as Element O, which can be used to measure organisation climate. Schutz's son Ethan, now CEO of The Schutz Company, uses FIRO theory to help organisations optimise performance.

Ethan Schutz said: "Finding ways to connect and accept each other as individuals is at the root of creating an inclusive culture. We connect over what we have in common, not what makes us different. When people understand their own preferences, and identify and respond to the preferences of others, you can create an inclusive environment. The real prize comes when people with different perspectives feel they're all valued members of the same community."

"The critical skill for the organisation is this: can you handle the consequences of having a rich mix of people? You need to learn that it's normal for decisions to take longer, or that introverts need to have a way of making a contribution other than having to speak up in a meeting." **Frode Hvaring, Head of HR, EBU-Eurovision**

Figure 11: The Zone of Similarity


Dominant Culture, Style and Values of the Organisation
Where Inclusiveness Happens
Unique Qualities of Individuals who are Different to the 'Norm'

3. **Inclusive culture is about engaging everyone, not just making minorities feel better.** Minority group members can engage the majority by how they speak and include them in the dialogue. Avivah Wittenberg-Cox, an expert on diversity and inclusion, said: "Most of the work of diversity and inclusion approaches in companies to date has focused on empowering the 'out groups' or training the 'in groups' about their unconscious biases. This has succeeded only in annoying everyone." Dan Simpson agrees that in a male-dominated engineering company such as Siemens, it's necessary to win the hearts and minds of the men. "We need the help of all the men in the organisation to make the change happen. You need to engage rather than shame people; otherwise you alienate them.

2.5
Communications

A good communications plan has to be a central element of any strategy to develop and sustain an inclusive culture. We found that more effective communications shared a number of common features: high engagement, transparency, consistency and timeliness.

Our research found that the types of communications that underpin an inclusive culture share the following characteristics.

- **Open and authentic communication by senior leaders**. The most effective communications involve open dialogue with employees at all levels, led by senior leaders, allowing views and issues to be aired and discussed. At ManpowerGroup, the CEO and EVP HR did a Google 'Hangout' together where they talked informally about their personal experiences of inclusivity and what they wanted to change. This unscripted conversation had a big impact, particularly on younger people in the workforce. Mara Swan said: "Lots of people contacted me afterwards and said 'Oh I get it now'. One of the positive knock-on effects was that more junior people could see it's ok to have that sort of open conversation with their manager."

- **Two-way communications**. The head of Shell's Qatar business had a regular monthly meeting with different groups of women from across the business at all levels to understand the challenges they faced and what actions were needed to create an inclusive culture for them. The sessions were run as open conversations designed to tease out real-life stories. Jonathan Kohn, who was Head of HR for Qatar at the time, summarised the discussions, which were then shared with the local leadership team, and in some cases with the whole Qatar organisation. This sent an important message that the business head took the inclusivity agenda seriously and was prepared to take action to make the culture more inclusive for women. GSK runs interventions with senior leaders - 'Inclusion & Diversity Dialogues' – which are designed to be an opportunity to share and provide a learning environment where leaders and teams enhance their cultural awareness, knowledge and skills regarding I&D. Liz Burton, Director, Global Inclusion and Diversity, said: "These sessions help build people's confidence in talking about difference - raising consciousness and changing mindset." Unilever runs an annual virtual conference where the team responsible for inclusion gets feedback on what the agenda should be for the following year. Unilever has also used an online tool – Crowdoscope – to ask employees about the current state of inclusion in the organisation, and to ask for suggestions for improving it. People could respond to survey-type questions, but also submit comments, respond to comments made by others, or rate others' comments in real time. Of the 5,000 people surveyed through this route, approximately 1,500 responded. According to Burcu Cantekinler, Global Diversity & Inclusion Manager: "It generated an open dialogue – people felt included in the debate, and they had the opportunity to shape our future actions."

- **Using existing infrastructure to cascade the messages**. Many organisations we interviewed have long-standing and engaged Employee Resource Groups and diversity champions embedded across the organisation. Often, these networks are seen as a much more effective and authentic mechanism for sharing key messages and getting feedback than top-down communications from the centre.

- **Communications based around storytelling**. Many organisations have made videos or use other media to describe the real-life experiences of minorities in the organisation, and to create a platform for culture change. (See the column)

- **Involving the whole employee population, not just minority groups**. Showing how the inclusion agenda can connect to broader business results, and can also benefit all employees, not just women or other minorities.

- **Transparency**. Some organisations have put transparency at the heart of how they define an inclusive culture. For example, Penguin Random House is experimenting with transparency around pay and benefits. Bonus structures and benefits offered at different levels are completely transparent. All employees can see each board member's bonus target and benefits. The company is also considering whether to make pay ranges transparent for all roles. This would mean any employee could compare their current remuneration with the range for their role and work out whether they think they're treated fairly. The company is also explicit with employees about how they can expect to be managed. Mutual responsibilities between individual, manager and the organisation are published on the intranet. But this comes with an expectation of reciprocity. For example, an individual is expected to inform their manager that they intend to apply for another internal role. Neil Morrison, Director, Strategy, Culture and Innovation, says this has built trust and helped retain talent.

Storytelling

Storytelling plays a critical role.

1. **The stories we tell communicate what the culture of the organisation is really like.** Stories embody the history of the organisation, and define what behaviour is acceptable and unacceptable. Sometimes there is dissonance between how leaders describe the culture, or might like it to be, and what it really is. For example, stories of the sporting events attended with clients might suggest that the only way to win business is to be a sports fan, whereas in reality this may not be what the client prefers and may simply be what's always been done.
2. **Envisioning in a visceral way what the organisation would look and feel like with a more inclusive culture.** Storytelling can be a powerful tool for managing and promoting change. It is rooted in emotion and therefore connects with people at a fundamental level. It allows for the ambiguities of real life to be shared, and everyone who comes across the story can engage with it in their own way.

For further information, see CRF's 2014 research report *Storytelling – Getting the Message Across*.

Accelerating Difference at GSK

At GSK the ExCo is committed to achieve gender balance at all levels of the organisation, and to develop local leaders for local markets. GSK has been running an initiative – Accelerating Difference – over the last 3 years. The initiative explicitly supports the company's objective of creating an inclusive culture: the start point is 'we value different thoughts, ideas and perspectives,' and a key objective is to help create healthy micro-climates where all people can thrive.

Research conducted before the initiative was launched found that gender balance at entry level was good, but focus was needed to ensure progression of women mid-career. The company decided to develop the Accelerating Difference initiative to target the middle of the organisation, from first-line leader up to director, in order to fill the leadership pipeline at the mid-level.

Women are put forward by their line manager based on three criteria: potential to move up within the organisation; whether their interests match opportunities available; and ambition. This is run separately to GSK's existing programmes for high potentials.

The initiative runs for 18 months and is largely coaching-based. There are 6 half-day group coaching sessions which cover topics such as power, presence and impact, and 12 one-to-one coaching sessions. The coaching is designed to enable women to learn more about themselves, understand how they can operate at their best and advance their careers within GSK. Each participant is assigned a career sponsor, usually a senior leader from their part of the business, who has the power to support their career progression.

(continued next page)

- **Consistency**. One of the key themes emerging from our interviews was the need to replay messages regularly and consistently over time. "It needs to be a continual drip-drip-drip of consistent messages. You have to use any excuse to reinforce the message," said Jonathan Kohn, HR VP UK, Ireland, Nordics and South Africa at Shell. For example, at a regular bi-monthly conference for its 150 people leaders in the UK, KPMG discusses how to best run its performance and promotion processes in order to meet its inclusivity goals.
- **Timeliness**. The timing of messages can also affect behaviour. At Morgan Stanley, Rupert Jones, Head of Pan-European Equity Research spends a lot of time, particularly at peak hiring and promotion times, educating people about the latest thinking in diversity and inclusion. "I tend to send out information about academic studies for people to read, but then reinforce the messages in management meetings." PwC created a video about "blind spots" to show before performance review meetings. The piece educates reviewers about specific biases, such as the halo and horns effect, and describes how individuals can be more objective. The team leader who runs the meeting is responsible for making sure participants view the video before the assessment conversation begins. Laszlo Bock, Google's Head of People Operations, discovered that sending emails immediately before performance reviews, reminding people that women are less likely to put themselves in the frame for promotion, resulted in more women putting themselves forward.

2.6

How can training and development support an inclusive culture?

Our survey found that unconscious bias training is one of the most widely used tools for developing and sustaining an inclusive culture (used by 60% of respondents). However, as we show in chapter 1, unconscious bias training is also seen by many respondents as not having been effective. This echoes research into diversity training more generally, which finds little evidence that it works. Making people aware of bias doesn't necessarily reduce it; indeed, it may even have a negative effect. Frank Dobbin and his colleagues at Harvard have published several studies into the effectiveness of different methods of improving diversity in organisations, including training programmes. They conclude: "Force-feeding [messages about bias] can activate [it] rather than stamp it out. As social scientists have found, people often rebel against rules to assert their autonomy. Try to coerce me to do X, Y or Z, and I'll do the opposite, just to prove I'm my own person. ...The positive effects of diversity training rarely last beyond a day or two, and a number of studies suggest that it can activate bias or spark a backlash." (Dobbin and Kalev, 2016) 'Sheep dipping' can encourage people to think: "I've done the training; I'm OK", and doesn't equip them to tap into what's going on unconsciously and do something about it.

So how can we make sure the substantial investments made in training are not wasted?

- ***Make it experiential***. A number of the organisations we interviewed are taking steps to put people in others' shoes so they can understand the barriers minorities face. Studies have shown that 'perspective-taking' can change attitudes: writing an essay from the point of view of an older person is shown to reduce stereotypes about the elderly, for example. PwC has developed a series of 'blind spot' interactive videos, which dramatise common scenarios that arise at work. Viewers can choose to follow individual characters, so each viewer's journey through the story can be different. The videos employ humour, drama and character development to make the content feel real and compelling – so people engage with the character and want to know what happens to them. The firm is also working on a series of podcasts that tell the stories of people juggling home and work. Other companies are using videos or real-life case studies as the stimulus for discussions around what actions to take to resolve issues.

- ***Make sure people understand why they're there***. Compulsory training can meet with resistance. It's important to make sure it isn't positioned – overtly or unintentionally – as remedial. In one organisation experiencing low turn-out from the sales function, a timely email from the Global Head of Sales explaining the context and why attendance was important made a significant difference to attendance rates. At BAE Systems, senior business leaders front events, which increases their impact.

- ***Engage the line managers of people attending the programme***. GSK's Accelerating Difference initiative (see columns), which is designed to accelerate the careers of women at mid-level in the organisation, engages the line managers and sponsors of participants to think about how they can build a culture that supports the careers of high potential women. Male and female line managers and sponsors of participants attend a 'Dialogue' over two half-days back to back, which uses conversation and storytelling to uncover underlying assumptions about one another and career experiences, to identify the barriers to an inclusive culture, and to highlight actions to create the context for women leaders to thrive.

- ***Follow through***. Training as a 'standalone' is unlikely to change behaviour. Actions such as 'nudges' and process redesigns, described in chapter 3, make it easier for people to act consistently day-to-day with what they've learned. Get people to write down and share what actions they plan to implement following the event, and follow up a month later to check their progress. You can give people regular feedback and coaching when they succumb to bias. For example, Standard Life ran a session with all the HR teams who support business leaders. They worked with an external partner to identify common areas where bias or 'micro-inequities' can occur. They explored scenarios such as 'what happens in a succession planning meeting?' or 'how do you decide who gets a potentially career-enhancing secondment?', and picked out some 'killer questions' to arm themselves with in order to call out biased behaviour. Lynne Connolly, Global Head of Diversity & Inclusion, said: "You need to achieve a 'multiplier effect' by getting to people through as many different routes as possible: through all your people directly, through their managers, through people such as HR who support managers, and through leaders at the top of the organisation." Tying follow-up communications to key events in the annual business timetable can also help – such as sending out reminders about bias immediately before the performance review process kicks off.

- ***Don't label things 'diversity' or 'inclusion'***. Dobbin et al (2016) state: "Some of the most effective solutions aren't even designed with diversity in mind." Initiatives such as mentoring and sponsorship programmes, and teaching inclusive leadership behaviours as part of regular leadership development, can help advance the organisation's goals around inclusion, without being labelled as such. However, as Lianne Spurway, Head of Human Resources – Europe at LaSalle Investment Management pointed out, this can have unintended consequences. "If minorities don't hear the specific message that a particular programme is for their benefit, they can assume we're not focusing enough on helping them. Sometimes we need to make the communications more tailored so it's visible to certain groups that we're investing in an agenda that's important to them."

Women's leadership development programmes

It's hard to imagine being able to describe an organisation as 'inclusive' if there isn't fair representation at the top of the organisation. Much of the focus of diversity and inclusion programmes continues to be on preparing women for and getting them into senior positions.

Accelerating Difference at GSK *continued*

One element that differentiates this initiative from many others we have seen is the efforts put in to prepare line managers and sponsors to support their participant's career progression. The attendee's line manager and sponsor attend a 'Dialogue' that runs for two half-days. The purpose is to sensitise them to the issue of unconscious bias, and to help identify the assumptions they hold about careers and what's getting in the way of creating an inclusive culture. The sessions are run as a relatively unstructured conversation that draws out stories of participants' own career experiences. Kim Lafferty, VP Global Leadership Development said: "It's quite counter-cultural because it is fairly unstructured, and it can be uncomfortable. But many people say that the space allows them to have in depth conversations that are more difficult to have during day to day business." Each attendee has a follow-up call with one of the facilitators eight weeks after the dialogue.

So far, over 200 women have been through the initiative over the first two years and over 200 have been nominated for year three. Participants are tagged on Workday and followed up every six months to see how they are progressing. It's early days to judge results, but results so far are encouraging. Around a third have seen a career move since taking part. Batool Raza, HR Associate, said: "The feedback from senior leaders is that it awakens them to the current situation and that they can't be complacent about addressing gender balance. It's heightened their awareness of the issues for women's careers and prompted them to ask more of the right questions, for example in talent reviews."

Case Notes – Morgan Stanley

The investment bank's approach to developing high potential women has three key elements.

1. **Development programmes for women**, which involve a substantial element of 1-to-1 coaching. "We find that our most highly talented women benefit disproportionately from coaching", said Rupert Jones.
2. **Thoughtfully designed mentoring programmes**. "It takes enormous amounts of thought to make this work. Not many people are equipped to be good mentors, so we spend a lot of effort on getting the selection of mentors right. I am only prepared to ask people to be mentors who are exceptional individuals. We also spend time to make sure mentoring relationships are thriving, because they can easily wither without care and attention."
3. **Connectivity with key stakeholders** – helping women engage with senior stakeholders more informally, to build their visibility and credibility with people who can accelerate their career. Jones has a spreadsheet for each of the high potential women in his business, which tracks who she needs to talk to, when and about what.

When a woman is participating in a training or mentoring programme and it's not working, it's also important for their manager to do something about it, and not just let that woman fail, said Jones. "I will pick up the phone to their coach or mentor to work out what's going wrong and how to fix it. If we let talented women fail, it's a terrible waste. As a leader, you need to roll up your sleeves and try your hardest to make it work."

In our 2011 research, we highlighted the important role of mentoring and sponsorship in raising the visibility of high potential women and helping them develop the skills they need to advance to the most senior levels. Sponsorship – which goes beyond mentoring in that the sponsor uses their influence with senior executives to act as an advocate for the person they sponsor – is particularly important for women. Sponsorship programmes are becoming more sophisticated. For example, PwC runs a 'Breakthrough Leadership' programme for potential female partners. The woman and her (Partner-level) sponsor attend together. The reason for this, according to Jennifer Allyn, PwC's Diversity Strategy Leader in New York is "because the purpose of the programme is not to 'fix' the women, but to talk about what the woman and her sponsor need to do together to advance her candidacy." The majority of the programme focuses on sponsorship: sharing what great sponsorship looks like; the common derailers that are seen at this point in a woman's career; exploring how the woman and her sponsor can work better as a team to get her promoted. The sponsor is then expected to commit to take actions to make sure their protégée actually gets the experience, introductions or support she needs to move forward. It's also in the sponsor's interest to do a good job, as it's a public role and can reflect poorly on the Partner if the woman doesn't get promoted.

Another approach to developing women is to help them build experience outside the organisation, without having to resign and go somewhere else. Standard Life runs a non-executive development curriculum, which is available to men and women, but has been found to be particularly beneficial for women. The programme helps women take on non-executive roles in outside organisations, such as charities. This helps them to develop a broader set of skills such as exposure to finance, strategy, customers and other stakeholders, which they might not otherwise get in their internal role. Today, 60% of senior leaders now have external positions in addition to their day job, and 40% of people in the leadership pipeline either have or are actively looking for external non-exec opportunities.

3

ALIGNING SYSTEMS AND PROCESSES TO SUPPORT AN INCLUSIVE CULTURE

Topics covered

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Introduction

In this chapter, we look at the ways in which the organisation’s people processes can support – or undermine – an inclusive culture. We explore the common biases that influence decision making in organisations and how to overcome them. We also consider the implications for inclusivity of the latest thinking in behavioural economics.

"We do not always do what is best for ourselves, our organisations, or for the world – and sometimes, a little nudge can help." **Iris Bohnet, Professor of Public Policy, Harvard Kennedy School**

We argue throughout this report that creating an inclusive culture requires actions at a systemic level. According to Frost and Kalman: "[Traditional] diversity policies fail because they are a superficial solution to what are in fact systemic problems." Systemic thinking means looking across the whole range of touchpoints between the organisation and its people, from the way leaders engage with the organisation, to how managers interact with their teams, to how processes are designed. In this chapter we investigate how organisations can design and run core people processes so as to reduce preferential treatment and secure outcomes that are consistent with an inclusive culture. We begin by setting out some core principles that underpin inclusive process design, and then consider the practical applications for people processes.

3.1

How our decisions are not solely based on rational thinking

Why are organisations not more inclusive? The answer is multifaceted and complex. One aspect is that we are not as rational in our decision making as we would like to believe.

Daniel Kahneman's book *Thinking Fast and Slow* describes how this happens in practice. Kahneman identifies two modes of thinking: System 1 and System 2. System 1 is intuitive, and runs automatically without much effort or control. It assesses information quickly and can make snap judgements or leap to conclusions, often based on emotions or stereotypes. When making decisions we often use mental shortcuts (heuristics), which are hard-wired in our brains. These are often the source of bias in decision making, which comes into play when we select and evaluate people and process information. System 2 is based on conscious reasoning and requires control and effort. It's slow, calculated, conscious – and hard to engage.

Kahneman thinks people who try to outsmart System 1 are on a fool's errand. Even with training and awareness, we are just not sophisticated enough to understand and overcome our hard-wiring. The field of behavioural economics offers insights into how organisations can design and deploy 'nudge' techniques to help people make decisions that support inclusivity. Professor Iris Bohnet's book *What Works*, explores this in detail.

Nudges are defined by Thaler and Sunstein as "any aspect of choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives." Nudging takes the onus away from individuals to understand and act on their biases. It helps change behaviour without them having to make conscious choices, and obviates the need for organisations to use incentives or threats to encourage them to make the 'right' decision.

Am I *really* biased?

The Implicit Association Test was developed at Harvard University in the 1990s by psychologist Anthony Greenwald and colleagues. There are now several tests, covering categories including gender, sexuality, race, disability, age and weight. They measure implicit bias by recording how quickly people make associations between words and images. For example, the race test shows images of black and white people next to 'good' words such as 'cherish', 'laughing' and 'friend' or 'bad' words including 'bothersome', 'nasty' and 'grief'. Hundreds of thousands of people have taken the tests online.

The results are often used to demonstrate to people that, despite believing they have no prejudice, they are in fact implicitly sexist or racist or biased against people with certain religions and so on. Many organisations use this test as part of unconscious bias training.

The test is freely available at https://implicit.harvard.edu/.

> To improve gender diversity the number of women in the talent pipeline is important but it is not just about that. You need to pay attention to the whole system. You need to look at how employment policies impact on your gender diversity objectives, are the jobs on offer attractive and how flexible are you as an organisation; what does the pathway to progression look like?" **Liz Burton, Director, Global Inclusion and Diversity, GSK**

3.2

'Nudge' techniques

Nudges are designed to steer – rather than coerce – people to make better choices. They 'push' the brain's unconscious system to change behaviour in a non-intrusive way, without taking away freedom of choice. An often cited example is the image of a fly etched on the men's urinals at Schiphol Airport in Amsterdam to 'improve the aim' – and thereby reduce cleaning costs. Another benefit of nudges is that they involve tweaking existing processes, rather than burdening already over-stretched managers with one more thing to think about.

Some of the common nudges that can be deployed to increase inclusion include the following.

- ***Defaults***. People have a tendency to stick with whatever default is set. Setting 'opt-in' defaults has been shown to improve, among other things, the retirement savings rate and the incidence of organ donation. Making the default a more 'inclusion-friendly' option can improve outcomes and change perceptions. One example could be to make flexible working the default for all workers (unless it can be proved this would not work in practice), which can both increase the number of people who work flexibly and remove any stigma attached to individuals who work flexibly. Since Australian telecoms company Telstra made flexibility the norm, it has seen a substantial increase in the proportion of women applying for jobs. Another example is to set a default in meetings that all attendees have the chance to speak for 1 minute at the start of the meeting on the subject of the meeting, so people have to opt out of speaking, instead of vying for airtime.

- ***Framing***. This nudge makes people perceive words and issues differently by altering the frame of reference. For example, Arla Foods has a 'maximum 70% homogeneity' target for top leadership rather than the '30% women in senior leadership' target that some organisations have adopted. Teams are expected to meet the following criteria: maximum 70% of the same gender, maximum 70% of the same educational background, maximum 70% of the same national/ethnic background, etc. Another way to help increase the number of women considered for senior roles is to ask: "Would you consider an international assignment at some point in the future if the opportunity was right for you?" instead of the more restrictive: "Are you internationally mobile?"

- ***Norms***. Another way to change behaviour is by redefining what is socially acceptable. People are more likely to comply when they believe everyone else is doing the same thing. For example, the UK's Behavioural Insights Team (known as the 'Nudge Unit', and jointly owned by its employees, the Government and the innovation charity Nesta) helped HMRC generate additional tax revenue of £5m within a month after sending out a letter containing the following message: "Nine out of ten people in the UK pay their taxes on time. You are currently in the very small minority of people who have not paid us yet." One way some organisations are applying this principle is by setting an expectation that the list of people being considered for promotion to the next level up should have a gender balance that reflects the current mix at the lower level. So if 40% of VP's are women, but only 25% of SVPs are female, the list of candidates for promotion to SVP should have 40% women. Those divisions which are not achieving this are then challenged to explain what actions they are taking to redress the balance.

Common cognitive biases

These are some of the common biases that affect decisions around people in organisations.

Anchoring	Relying too heavily on one piece of information (usually the first piece received) when making decisions.
Availability heuristic	Relying on the most immediate examples that come to mind.
Bias blind spot	The tendency to see oneself as less biased than other people.
Confirmation bias	The tendency to look for information that confirms one's preconceptions/hunches.
Confirmatory categorisation	Once an initial assessment has been made, subsequent information is typically interpreted in a biased way to favour consistency with the initial impression.
Framing effect	Drawing different conclusions from the same information, depending on how that information is presented.
Groupthink	The desire for conformity in a group results in irrational decisions.
Halo (horns) effect	The tendency for a person's positive (negative) traits to spill over from one aspect into another in others' perceptions of them.
In-group bias	The tendency for people to give preferential treatment to others they perceive as members their own groups.
Out-group homogeneity bias	Individuals see members of their own group as being relatively more varied than members of other groups.
Status-quo bias	The tendency to like things to stay broadly the same.
Stereotyping	Expecting a member of a group to have certain characteristics without having actual information about that individual.

> "What we generally find is for beliefs to change, people's experiences have to change first. Being surrounded by role models who look like you can affect what you think is possible for people like you."
> **Iris Bohnet, Professor of Public Policy, Harvard Kennedy School**

Keeping it simple

In designing processes and systems to support an inclusive culture, we think it's important to focus on removing barriers and making it easier for decision makers to make the right choices, rather than burdening people with initiatives or additional bureaucracy. Frost and Kalman are of the same opinion, believing it's important to remove barriers so the market for talent can operate more efficiently. "It is about setting people free, not lumbering them with more protocol that adds little value and that many resent, diverting them from the day job and often lowering morale in the process," they write.

- ***The wisdom of crowds***. Numerous studies have shown that taking the average of a number of different forecasts can beat the predictions of 'experts'. Organisations can also use this approach to achieve better results from recruitment and promotion decisions. Professor Iris Bohnet suggests that encouraging individuals to take a 'crowd within' approach before they make a decision can also be helpful. For example, once you have formed an initial view on an individual, review the evidence with a fresh perspective later before scoring them again. Repeat, and take as the final score the average of the three scores.

- ***Picking multiples***. Studies have found that when people have to make a number of decisions simultaneously rather than sequentially they tend to make more varied choices. In one study, volunteers had to choose on day one the snacks they would consume over the following three days from a range of different snack options. Another group chose their snacks on a day-to-day basis. About two-thirds of the people who chose all their snacks on the first day chose three different snacks, but only 9% of the people who made sequential choices each day chose three different snacks. Applying this to recruitment, it suggests you will get a more diverse group of recruits when you select several candidates together. See the KPMG case study on page 45 for an example in practice.

- ***Transparency and public accountability***. People like to look good in front of their peers, and will adjust their behaviour if they know they have to justify their reasoning in front of others. For example, research in Israel found that trainee teachers graded identical compositions differently depending on whether the author had an Ashkenazic (European origin) or Sephardic (Asian origin) name. The grade difference disappeared, however, when they were told that they would have to discuss their grades with peers. The idea that they would have to explain their reasoning publicly led them to judge the work by its quality alone. Similarly, making it clear that a manager will have to justify an individual's performance rating in a meeting involving peers can encourage the manager to step back and check he has acted fairly. Several of our interviewees also said they published the rankings of different business units on minority representation, and this had helped improve representation.

- ***Competition***. People's innate competitive instincts can be harnessed to achieve positive outcomes for inclusion. For example, when the London Organising Committee of the Olympic Games and Paralympic Games was hiring people to work at the London 2012 Games, it published monthly recruitment data broken down by a range of diversity strands (gender, ethnicity, disability, sexual orientation, local and previously unemployed), by department. There were no quotas, but the data was distributed to all heads of department along with standard management information. The data was tabulated, with the best performing departments at the top. Those at the top of the table won kudos from the CEO and colleagues for their achievement.

- ***Visible symbols***. The presence of role models or visible or figurative symbols can influence what people feel they can achieve in their organisation. Sometimes things that appear trivial can have significant symbolic value, such as an annual report that's full of male-only portraits, or raising the rainbow flag on the office flagpole during LGBT Week to communicate the organisation's support. "There is no point trying to communicate how diverse you are as an organisation if the mug shots of your board and executive team are clearly all white men," write Frost and Kalman. Another example is PwC's new policy of 'dress for your day' in its US offices. Professionals can wear whatever they like to work, including jeans, every day, but it is up to them to choose what is appropriate, depending on where they are and who they are meeting. Jennifer Allyn said: "It treats people as grown-ups, and has been especially popular with Millennials."

"We don't measure the effectiveness of interventions anywhere near enough." **Iris Bohnet, Professor of Public Policy, Harvard Kennedy School**

Following Aristotle's aphorism "We are what we repeatedly do", nudges can change not just behaviour, but also eventually underlying beliefs. When people begin to behave in a new way on a regular basis, they tend to change their mindset over time. So, by prompting consistent action in a certain way, beliefs will follow. For example, research by Dobbin and Kalev found that managers who were invited to help hire a greater variety of graduates through campus recruitment, not only delivered on these objectives, but were also more likely to champion the cause as a result.

3.3
Be driven by evidence

Decisions about which design features support inclusivity and which don't, need to be built on evidence.

Unfortunately, we find that initiatives in this area are rarely properly tested, or the underpinning theory is not well explained by HR. The gold standard of testing is the double-blind, randomised controlled trials that drugs companies use to test new medicines. However, given that this is virtually impossible to do in the organisation setting, what can companies do to check whether their ideas lead to greater inclusivity in practice?

- Get close to other functions that are strong in this area. Marketing can test out different messages with different populations, so why can't HR do the same?
- Run two different options in parallel and gather data on which leads to better outcomes. For example, publish two different wordings of a job posting to see if there are differences in who applies. Test out the most effective screening technique by running two options in parallel. Ask questions such as: did graduates from our target universities turn out to be our best candidates?
- When you introduce a new initiative, think about whether it's possible to run a control group that doesn't change, and compare results between the two. For example, pilot a mentoring programme in one division and compare results with other divisions.

Mercer's When Women Thrive database is the largest of its kind in the world and provides diagnostics, benchmarking and projections for female representation. Individual company reports from this database can help in understanding the status quo and building the business case for ramping up inclusion programmes. Data analysis led Google to discover that what was initially perceived as a 'gender gap' was in fact a 'parent gap'. Young mothers were twice as likely as the average employee to leave. So Google introduced maternity and paternity policies that were more generous than their competitors'. Now, new mothers at Google are no more likely to leave than any employee.

"Communication matters, recruitment matters, retention matters, and training the organisation to be inclusive matters. But real success comes from enough people rolling up their sleeves and doing the right things in line with the organisation's broad goals. The more these messages penetrate different levels across the organisation, the more people will take notice." **Rupert Jones, Head of Pan-European Equity Research, Morgan Stanley**

A key success factor is an organisation culture that's open to experimentation and to learning as much from what doesn't work as what does. It's also important to work out in advance what data you'll need to assess the results, and to have a plan for how to gather that data. Many organisations now have expert analytics teams who can help.

3.4

Promoting and developing inclusively

Much of the activity in organisations – and the examples we encountered – are focused on recruiting a balanced workforce (which we discuss further below). However, where organisations continue to struggle most is building inclusive senior teams with an appropriate balance of different perspectives. **For us, one of the key determinants of whether a culture is inclusive is this: to what extent can you promote and develop people with a variety of backgrounds and characteristics, from within the organisation?** So, how can we design promotion and development processes to be more inclusive?

- ***Proportionality***. Several organisations told us this has had the greatest impact in getting the most senior ranks in the organisation to reflect the whole workforce. Proportionality means that the list for promotions to the level above should reflect the demographic breakdown of the level from which people are promoted. So if 35% of managers are female, 35% of the people being considered for promotion to director should also be female. This also has a positive effect on employees' perception of how inclusive the organisation is: knowing there are checks and balances in the system gives people confidence they have a fair chance to advance. For example, George Halvorson, former CEO of US insurer Kaiser Permanente (which has four of its eight regions led by women), insisted that for all senior positions there had to be three people being developed as a potential successor, and that no more than two of the three could have the same characteristics. "The rule allowed us to identify some very strong candidates who wouldn't have been on the radar screen otherwise," he said.
- ***Transparency of promotion criteria***. Often, this is clear to the in-group, but less clear to others.
- ***Real-time, actionable data***. The latest talent systems are enabling organisations to monitor the distribution of ratings and proposed promotions in 'real-time', and take actions to ensure fairness before decisions are finalised. Previously, it was only possible to review distributions after the event, so it would take much longer for corrective action to take effect.
- ***Re-framing discussions around women and other minorities***. In succession planning meetings, women are often classed as 'ready in three to five years' whereas men are designated 'ready' in shorter timeframes. Reframing the conversation to "what's stopping us from appointing her now?" or "what needs to happen for her to be ready?" can help.
- ***Paying attention to who gets opportunities***. Track who gets the plum assignments, projects or client accounts that are required for career advancement. Research by Catalyst has found that men tend to get more of the critical assignments that lead to promotion than women.

> "You need to keep systems and processes under constant review, to check who they do and don't work for and whether there are unintended consequences." **Jennifer Allyn, Diversity Strategy Leader, PwC**

- ***Apply the principle of proportionality to potential ratings***. Check whether the number of people rated 'high potential' at different levels is consistent with the demographic split at that level. If it's not proportionate, do the criteria need to be changed to be more inclusive? Are there patterns in who appears where on the nine-box grid? Research by KPMG found that only one-third of organisations it surveyed select participants in high potential programmes to reflect current workforce ratios at each management level.
- ***Have a neutral observer in meetings, whose role is to call out bias***. Some organisations get an inclusion expert to read through all performance reviews to check for bias. In one example, the observer noted every adjective used to describe men and women during the meeting. The results shocked those who had been involved in the meeting and led to a change in behaviour at future sessions. An observer can also be valuable in making sure discussions and evaluations are based on solid evidence not on judgments, opinions and rumours.
- ***'Crowdsource' performance ratings and potential scores***, so an individual's rating is determined by more than one person, which can increase objectivity. Insist that the only people who can contribute to the discussion about an individual at a talent review are those who have direct experience of working with them, to avoid hearsay and bias. Make people accountable for getting to know named individuals – particularly those who are naturally less 'visible' – so they can talk knowledgeably about them in the talent review.
- ***Invest in better career conversations***. We emphasise in chapter 2 how important it is for managers to get to know their people on a personal level. It's particularly important they understand their team members' aspirations and develop the tools to help them realise their potential. This may require investment in training managers to improve how they conduct and follow up on career conversations.

3.5
Flexible working

One of the recurring themes of our interviews was the role flexible working plays in making workplaces universally welcoming. Today it's not just about women; flexible working is also attractive to Millennials, who don't want to follow a particular work pattern just because that's how it's always been done, to older workers, those with elder care commitments, and to men. Fleur Bothwick said flexibility is consistently one of the top three reasons globally that people leave EY. Several interviewees identified a strong connection between the broad availability of flexible working and employee engagement, and noted that good flexible working policies can be a critical element of a powerful employer brand.

As we discuss above, trust is a major component of an inclusive culture. Lack of trust is one of the main reasons more organisations don't offer flexible working to a broader range of employees. Charlotte Harding at Mercer said: "It makes sense that flexible working promotes inclusivity, as it means people no longer have to make binary choices between work and family. However, we struggle to understand why more organisations don't allow this as a matter of course."

Our research suggests that organisations with successful flexible working practices tend to adopt the following practices.

Case Notes

In 2014, KPMG announced detailed targets for diversity across four dimensions: gender, ethnicity, disability and sexual orientation, to be achieved by 2018. It also publicised the profile of its staff at that time. The firm openly acknowledged that its workforce reflected neither its client base nor society as a whole. Simon Collins, UK Chairman, said: "I believe a crucial part of achieving a meaningful shift is providing more transparency of the make-up of our current staff against where we would like to be. It's uncomfortable, but we need to step up and be open and honest about the challenges we face. Greater transparency means we can be scrutinised against the targets we set ourselves. It means we can test the success of our inclusivity programmes and demonstrate that we are serious about this issue." The table sets out the extent of the gap KPMG identified.

	Grade	2014 population (%)	2018 target (%)
Female	Partners	15	25
	Directors	23	36
	Senior Managers	36	46
BAME (black professionals in brackets)	Partners	7 (0.9)	9 (2.2)
	Directors	9 (1.2)	14 (4.4)
	Senior Managers	14 (2.0)	18 (4.1)
Disability	Overall	1.4	2.8
LGBT	Overall	3.0	4.1

Proportionality is one of the key tactics KPMG is using to achieve these objectives. At each level there is an expectation that the promotion list should reflect the composition of the population from which promotions are made.

(Continued next page).

> "Those charged with attracting... applicants should make sure they scrutinise the messages, overt and biased, conveyed in their advertisements, websites or other communications. The wording used, the incentive schemes employed, the work hours required, or even the number of others applying, may unintentionally attract some but not others. And while talk definitely can be cheap, some people do listen." **Iris Bohnet, Professor of Public Policy, Harvard Kennedy School**

Case Notes *continued*

Martin Blackburn, UK People Director, has a dashboard that shows in real time the promotions being proposed. Departments where they are proportionate are shown as green. Departments showing red are challenged as to why they have not achieved proportionality and what they plan to do about it. Blackburn said: "Three years ago, we'd have done that analysis after the event. Now, before we confirm any promotions, we check and follow up." The firm also plots people at each level on a nine-box grid, so the future promotions pipeline is also visible, and it can take corrective action where necessary.

- It's available to everyone, and is not just seen as something for mothers.
- It isn't necessarily a formal arrangement. We believe that, in an inclusive culture, flexibility is about people knowing exactly what's expected of them, and feeling empowered to work in a way that suits them and their colleagues while delivering the required results. EY tracks through its employee survey whether people work flexibly on an informal basis. Four years ago 35% answered yes, and this has now increased to 53%.
- There's infrastructure to support and educate managers. For example, Unilever has made significant investments in educating managers to support flexibility, and has built an online platform to provide information and support for both employees and managers around maternity and paternity issues. The CEO is also visibly supportive of this initiative.
- There is not one 'template' for flexible working but a broad range of options, with multiple components that can be tailored to individual needs. "Companies need a toolkit with all the different flexible working options, an understanding of what works best in what circumstances, and the culture that allows flexible working to be accepted," said Charlotte Harding.
- One way to achieve broader acceptance of flexible working is to change the norms so flexibility is the default option. Educating managers that jobs can be done flexibly unless there's a strong business reason not to, shifts the issue from one that's largely about women, to something for all employees.
- Seeing men take up the offer of flexibility can change behaviour. Helena Morrissey, CEO of Newton Asset Management, said that when the business was going through difficulties it offered all staff a four-day week. Many men took up the offer and this "broke the stigma." Making role models of men who work flexibly can help make flexible working more widely accepted.
- It's also important to monitor the way flexible policies are applied to check whether the rules are being implemented fairly. And if trust is to be maintained, managers need to give valid reasons for turning down someone's request to work flexibly.

3.6
Recruitment

One way to make the organisation more inclusive is to open up recruitment opportunities to people whom you may not have historically considered, perhaps because they have a different educational background from the 'norm'. Many organisations have found that by making their selection criteria and processes more inclusive they have opened up new sources of talent. In this section we explore some of the key trends for organisations looking to recruit more inclusively.

- ***Removing language from job descriptions and job postings that consciously or unconsciously deters certain groups***. The words you use to describe roles in your organisation send very important messages about culture. For example, words such as 'ambitious', 'assertive' and 'leader' have been found to deter women from applying. Tools such as Textio can be used to check for biased language in recruitment materials. Some organisations are experimenting with several differently-worded advertisements for the same job, to discover which attract the more inclusive mix of candidates. We also find some organisations are posting jobs in different places to attract a broader range of people. For example, PayPal now posts on Mumsnet and Stonewall forums, to attract candidates from different backgrounds.

> "By carefully choosing the terminology and language you use, you can influence the 'universe of the possible'. You then have a better choice of people who apply, and a bigger pool of 'different' candidates." **Frode Hvaring, Head of HR, EBU-Eurovision**

- ***Make sure the candidate experience is consistent with the employer brand you're looking to project***. For example, Rupert Jones told of a recent senior external hire at Morgan Stanley. The recruiting manager sent out the list of interviewers the candidate was due to meet for others to review and none of the list were women. "I pointed this out to the manager and said it needed a rethink. Organisations' understanding of diversity and inclusion should be reflected at all stages of the employment process, and we are achieving this by having a strong and meaningful dialogue across the Firm." As a result, the hiring manager rearranged the interviews so more women were involved. The feedback from the woman was that she was highly impressed by the diversity of the people she met, and this was an important factor in her accepting the job offer.

- ***'Blind' recruitment***. The introduction of blind auditions in orchestras (with the conductor and musician separated by a curtain) has resulted in significantly more women being accepted. Studies have also shown that the CVs of fictional candidates with white-sounding names are more likely to be invited to interview than identically qualified candidates with non-white sounding names. In 2009, UK government researchers sent out CVs in response to job advertisements. The CVs were identical apart from the name at the top: Nazia Mahmood, Mariam Namagembe and Alison Taylor. Alison received one response for every nine CVs sent, whereas Nazia and Mariam each received one response for every 16 sent. Now, 80% of UK government departments do name-blind recruitment, and private sector organisations are also increasingly removing irrelevant demographic data from CVs before screening.

- ***Machine screening.*** Computer algorithms can ignore irrelevant demographic information and focus on true performance differentiators. For example, Deutsche Bank is deploying machines to screen potential graduate recruits, with the aim of attracting high calibre applicants from more diverse backgrounds than its traditional campus recruitment activities. It is using a screening tool – Koru – that compares the responses of candidates to a series of work tests with the results achieved by the bank's highest performers on the same tests. (See also Applied on the next page).

- ***Picking multiples***. Professor Iris Bohnet found that asking hiring managers to compare a given candidate with real alternatives (rather than evaluate against a hypothetical person or the job description) helps evaluators focus on individual characteristics and performance as opposed to focusing on stereotypes. When evaluators judged several candidates against each other, their attention was focused on their comparative qualities. The result was that evaluators consistently chose the best qualified candidate, and there was gender balance across the selected candidates. Frost and Kalman agree: "Even if the interviewers are highly sceptical of the business case for diversity, they are still unlikely to put through five of the same people." KPMG has used this insight to redesign the way it recruits graduates. Over the past two years it has shifted its female graduate intake from 36% to 50%. Martin Blackburn, UK People Director, explained that the previous process meant the firm made offers as soon as people had been interviewed and this tended to favour men over women. The firm has introduced a new process, 'recruit within a day'. "We think the best way of achieving gender balance is to have as many candidates as possible going through the same process at the same time and being assessed by multiple assessors on the same day. This means running assessment days with around 300 candidates at a time. The timetable has also changed, so the process runs from September until December, rather than being a continuous activity throughout the year.

Workforce planning

Building an inclusive workplace does not happen by accident. It requires planning, integration with the business and people strategy and focused action. An obvious – but often overlooked – place to start is the strategic workforce plan. Planning ahead allows the organisation to think about the types and numbers of people it will need over a longer timescale. If you are hiring predominantly for immediate needs, you are likely to be fishing in a smaller pool, which reduces the chance of hiring more inclusively. For example, as part of workforce planning, GSK examined external data to understand the availability of women in its top 20 markets to set realistic objectives. Kim Lafferty, VP, Global Leadership Development said: "There's something about being thoughtful and not just saying our target should be 50/50 everywhere. In some parts of the world, there just aren't that many women available in the workforce yet for the types of roles we offer in the market."

A strategic workforce plan also makes it easier to hire people in groups, which, as we see below, increases the chance of hiring a diverse group of people. It also offers the opportunity to redesign jobs in terms of hours, location, flexibility and so on, which can open up opportunities to a wider range of talent. According to Frost and Kalman: "Taking a longer-term view, seeing the organisation as a whole, and thinking of scale, ...naturally [opens] up the opportunity to attract and select a more diverse range of people."

Case Notes

Like its peers in the technology industry, **Avanade** has found it difficult to attract women. Over the past three years, the company has revamped its recruitment processes, which has resulted in a substantial increase in the number of female hires. Key actions include the following.

1. ***Repositioning the employer brand***. Avanade has adopted an approach based on storytelling to revamp messages about what the organisation is for and what it's like to work there. The focus shifted away from detailing technical capabilities, towards telling the story of Avanade and its people and the difference the organisation makes to its clients. Mahnaz Javid, SVP Talent Acquisition & Integration, said: "We have everything women look for: we're small but creative and innovative. We're collaborative and we work flexibly. But we needed to get that story across in a way that was more compelling to women. Now the core message is 'come to Avanade and create change for a living'." The company is also alert to the power of social media, and has, for example, rewritten the LinkedIn profiles of its leaders to make them consistent with the employer brand messaging.
2. ***Fishing in different ponds***. The company has revamped the way it presents itself at campus recruitment, conferences and careers fairs. It is also widening the net by targeting liberal arts colleges instead of just universities with strong IT faculties.
3. ***Rewriting job descriptions***. These used to be a long list of certifications and technical requirements of the job, running to several pages of bullet points. Avanade has replaced that with a couple of paragraphs about what it means to be, for example, a solutions developer at the company, with a link to a video or online profile of someone who's currently doing that job. "It's not so much wordsmithing as changing the way we communicate with potential employees," said Javid.
4. ***The interview process has changed***. "We used to have six or seven interviews, which required candidates to come in multiple times. Now candidates meet fewer people and the decision lead time is shorter." There's also a requirement for at least one woman to be involved in interviewing candidates.

- ***Use multiple reviewers to increase accuracy and objectivity.*** Applied (see box below) found that when four people reviewed a CV it significantly increased the chance of identifying the best candidates.
- ***Increase objectivity of assessments***. Here are some practical suggestions from our research.
    - Identify the key requirements of the role that have been found to predict high performance (for example by interviewing high performers and their team leaders to find out what they do differently) and choose assessments that measure these.
    - Use assessment techniques with the highest predictive ability, i.e. work sample and ability tests, assessment centres and structured interviews.
    - Instigate mixed panels for interviews, and think about involving managers from other teams or functions. For example, Google has introduced a rule that managers cannot interview for their own team.
    - Make sure all assessors ask the same questions, in the same order.
    - If candidates are to be interviewed by several different people, do not compare notes until all interviews are completed.
    - Assign scores immediately after the interview.
    - Once all candidates have been interviewed, compare scores for each criterion/interview question in turn, across all candidates. So score each candidate's response to interview question 1 before moving on to question 2, and so on. This way assessments are less likely to be coloured by the 'halo effect' of a particularly good response to one particular assessment criterion.
    - Consider designating a 'devil's advocate' in the meeting where the candidates are discussed, to ensure that a fair, objective assessment takes place.
    - Consider running two different assessment processes in parallel to see which leads to better outcomes.
    - Track outcomes in terms of the demographic split of successful candidates. Consider having a league table that shows the best performing recruiters/managers on achieving inclusivity goals.

Applied

Applied is a platform developed by behavioural scientists to make hiring smart, fair and easy. Applied was spun out of the UK's Behavioural Insights Team (BIT) which is co-owned by the UK Cabinet Office and Nesta, an innovation charity.

The Applied tool is designed to structure candidate data to prompt fairer selection and make personal details blind to remove unconscious bias from the selection process. The tool has four key features to tackle common biases.

1. **Anonymisation of personal information such as gender, age and ethnicity**. This information is irrelevant to an individual's ability to do the job, so by removing it assessors can focus on the quality of the applicant. *(continued next page)*

2. **Chunking**. The answers to questions provided by each candidate are presented horizontally, so hiring managers compare the same information across all candidates simultaneously, and avoid the 'halo effect' whereby an individual's answer to one question colours the assessor's view of all their other answers.

3. **Collective intelligence**. The tool gathers the independent assessments of three different reviewers, which helps make decisions more objective and minimises bias and decision fatigue.

4. **Predictive assessment**. The assessment focuses on the elements that are most predictive of good performance on the job, such as work sample tests and structured interviews.

Applied tested the platform on 700 applicants for graduate jobs at BIT. Candidates who passed an initial test went through two assessments in parallel: a traditional CV screen; and assessment through the Applied platform, which involved completing a number of work sample tests. Three groups of candidates were then invited to an assessment centre: (1) those who had passed the Applied screen only, (2) those who had passed the CV screen only, (3) those who had passed both. By comparing the results of the assessment centre for these three groups, BIT could infer both which screening method was most predictive of performance on the job, and which led to greater diversity. The results were as follows.

- Candidates' Applied scores were strongly correlated with their performance in the assessment centre and final interview.
- Candidates' CV scores were not predictive of assessment centre and interview performance. A CV sift would have had to progress three times the number of candidates as passed the Applied screening to have the same number of top performers in the assessment centre, thus significantly increasing the cost per hire.
- Candidates with an Applied score of one point above average were 16.7% more likely to receive a job offer, whereas higher CV scores did not correlate with job offers.
- Half of the candidates who made it to the shortlist would not have been selected through traditional CV sifting processes. Of the ten candidates ultimately offered jobs, six, including three of the top five performers, would have been discarded under the CV sift.

In summary, the test suggests that screening tools such as Applied can increase the objectivity of recruitment, open the process up to a wider range of talent, and reduce the time (and cost) of CV screening.

Applied is currently running a beta version of its tools. Organisations can apply for access at www.beapplied.com.

Case Notes *continued*

When publisher **Penguin Random House** was created two years ago as the result of a merger, one of the pillars upon which the new organisation was built was an inclusive culture. This has meant opening up recruitment to people who may not come from a traditional publishing background. Actions taken include the following.

- **Removing barriers to entry by focusing on the qualities that lead to higher performance, rather than selecting people from the 'right' background**. The company assessed what made current employees most successful, and removed the requirement to have a degree unless a professional qualification was required for practice.
- **Job descriptions are 'crowdsourced'**. Multiple editorial eyes check the wording for biased language. Assessors have also gone through unconscious bias training, and have to provide evidence to back up their assertions about a candidate.
- **Only asking for information that's relevant to performance on the job**. The focus is on assessing the underlying skill-set rather than looking for people with particular experience. For example, if the role requires an individual to be able to pitch an idea, the assessment will touch on the elements that make up ability to pitch, rather than looking for people who have direct experience of pitching. At the initial stage, the company uses the video interview platform HireVue, which asks candidates to respond to standardised questions via video. Responses are separately rated by more than one assessor, with each candidate having a consolidated score. "Managers like it because they can assess simultaneously how different candidates have responded to the same question," said Neil Morrison, Director, Strategy, Culture and Innovation.
- **The company is transparent with candidates about what each stage involves and what's being assessed**. It also gives tips on what to wear to interviews, so candidates don't feel out of place by turning up in clothes that are too formal.
- **Results so far.** Some 25% of candidates have not been through tertiary education, 25% are pursuing a second career, 17% are black/minority ethnic. Around half would not have applied through traditional channels. "We realised we were missing out half the available talent base under our old way of recruiting," said Morrison.

"Metrics matter. You need to understand what's driving the issues." **Mara Swan, EVP Global Strategy and Talent, ManpowerGroup**

Social Mobility

A trend noted in this research is that improving social mobility has become a key element of the inclusion agenda.

- Many organisations are removing data such as the university a candidate attended from CVs, to avoid bias towards certain academic institutions. Some organisations contextualise academic data, or consider financial background and personal circumstances when trying to identify school leavers and graduates with the highest potential.
- LaSalle Investment Management has worked with a 'third sector' organisation – Social Mobility - to help bring in summer interns from different social and economic backgrounds to the types of candidates who would normally apply. In fact, this initiative proved very successful from an integration and performance perspective. However, according to Lianne Spurway, Head of Human Resources – Europe, the success of the initiative was partly driven by preparing the ground before the interns arrived. "It's not enough just to say 'let's get in some people from different backgrounds'. It was essential to prepare the business for what to expect. We briefed managers extensively before they recruited and welcomed the interns, and we provided a detailed brief to Social Mobility for them to work with their applicants."
- Penguin Random House has run 'job hacks' in Birmingham and Glasgow to demystify jobs in the publishing industry. The company worked with a not-for-profit partner which helps get BAME people into work. Participants were asked both before and after the event to rate how confident they felt about applying for work in the publishing industry. There was a significant jump in positive responses. The company is now tracking applications for work experience placements to assess the impact of this outreach on applications from minority or socially disadvantaged groups.
- Another learning from Standard Life's extensive social mobility programmes (the global investment business is one of 11 UK government social mobility champions), is that competency-based interviews can put people from diverse backgrounds at a disadvantage. According to Lynne Connolly: "Often, interviewees won't have examples to give because they lack work experience. So we've moved towards values-based assessments, which are better at uncovering the capabilities they can bring to work, and how they relate to others."

3.7

Data and measurement

How can you tell if you're making progress towards a more inclusive culture? While there are tools available that purport to measure organisation culture, we are not aware of any that specifically measure inclusion in the way we define it here. In practice, few organisations regularly measure their culture in this way. Only 20% of respondents to the CRF survey reported that they measure their organisation culture specifically with regard to how inclusive it is, although 57% have explicit goals for creating a diverse workforce. Rather, current practice focuses on three main areas.

1. **Measuring culture and engagement through employee surveys.** Most of the organisations we interviewed ask employees questions related to inclusion and many break these down by individual line managers. Questions such as: "I feel I can speak up without fear of repercussions" can provide insights into how inclusive the environment is. However, we find many of the questions asked are generic, and may not provide insight into what's behind the response. This is why it's important to follow up with, for example, more detailed pulse surveys or focus groups to uncover the underlying issues.
2. **Monitoring employee demographic data.** For many organisations, it's a challenge to get good data. Working out how many women are in the organisation is generally straightforward, but tracking other groups such as ethnic minorities, disabled and LGBT employees often relies on people to self-report, which in turn raises issues of whether they feel sufficient trust to disclose that information to the organisation. A number of organisations use their employee surveys to ask people to provide relevant data, such as their sexual orientation, or whether they have an informal flexible working arrangement.
3. **Tracking a broader set of data to identify trends.** One of the key themes of this research is that there is no single action that leads to an inclusive culture. Organisations need to take action consistently at a systemic level, and consider all elements of the relationship between the organisation and its employees. Similarly, organisations need to track a wide range of data, as small changes across a number of different factors build up to a consistent bigger picture. For example, if all the highest ranking sales people are men, does this mean the account allocation process favours men? An increase in customer complaints or calls to the employee helpline might be early indicators of a problem at a cultural level.

As analytics capability improves, organisations are able to slice and dice data in multiple ways to try and understand what underlies the numbers. This makes it possible to test different hypotheses and track data in a more granular way. For example.

- Unilever has a detailed online dashboard that's refreshed monthly. Data can be cut in multiple ways: by function, geography, level and achievement against targets. It also tracks the inflows and outflows of people, including recruitment, leavers and promotions. This has helped to raise visibility of results with top leadership, and to track trends consistently over time.
- One of our interviewees asked their business analytics team to model where the organisation would be in 2020 if it continued at its current rate of progress. The team analysed the last five years' data on gender, including joiners, leavers, promotions etc. The analysis showed that, if the organisation simply continued with its current activities, it would only be 1% better off by 2020 in terms of senior females. The analytics team also modelled five scenarios, with different scales of ambition. This was a huge eye-opener for the executive team, and also helped them to decide which scenario to pursue, what targets to set, and the level of investment required.

> “Where we have made consistent and sustained progress is where we have been very clear about what we’re trying to achieve.” **Fleur Bothwick, EMEIA Director of Diversity, EY**

It’s also important to establish a baseline, so that you can measure progress against plans and evaluate different interventions to determine what works and what doesn’t.

You must also connect targets and results back to the business agenda. One way to do this is to make sure senior leaders can see the data and it’s on the top team’s agenda. Martin Blackburn, UK People Director at KPMG, said: “It’s on the agenda all the time. We review people data in a similar way to how we review the financial health of the business.”

Connecting to reward

Some organisations are beginning to link the outcomes of their actions around inclusivity to reward. For example, in the UK 70 leading financial services firms have signed up to an initiative linking executive pay to achieving goals around getting women into senior positions.

Targets

While some countries have implemented fixed quotas for the proportion of women on boards, and initiatives such as the 30% Club in the UK appear to have increased the number of women at the top, we find organisations tend to steer clear of quotas for under-represented groups. However, many of the organisations we interviewed are using targets (which are less rigid than quotas) to focus attention on achieving a balanced workforce. Rupert Jones, who’s Head of Pan-European Equity Research and chairs the Diversity Council at Morgan Stanley, said: “I’m a huge advocate of targets. Having a deliberate targeted policy around building an inclusive workforce is absolutely critical. If you don’t make it clear what the direction of travel is, and hold people accountable, you risk failure.”

A concentration of women in ‘pink ghettos’ such as HR, Legal and Marketing can make the overall numbers look better than they are. So we find that the more sophisticated organisations have fairly granular targets, and, for example, focus on areas where further progress is required, or track representation in ‘power jobs’. Unilever, for instance, has moved away from global targets to differentiated targets for different parts of the business, set at a realistic and achievable level. KPMG has published its 2018 targets externally, but uses interim targets to track progress internally.

We also see organisations adopting a ‘no regression as you go up the hierarchy’ approach to targets. So if there’s an 85/15 gender split at the top team, but 65/35 at the level below, the target is to have a 65/35 slate for promotion to the next level. Fleur Bothwick said: “It’s quite hard for people to argue against this.”

The adage ‘what gets measured gets done’ applies here. It’s also important for the top leaders to set, own and be seen to follow up on progress towards targets.

4

CONCLUSIONS AND RECOMMENDATIONS

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Introduction

This chapter summarises the key conclusions of our research and sets out some recommendations for creating and sustaining an inclusive culture.

> "Inclusivity is at the heart of our values as an organisation, expressed through a belief that you do your best work when you can be yourself in the workplace. This is reinforced at all levels, and particularly by our senior leaders and Board, who promote an informal, non-hierarchical environment, and role-model inclusive behaviours. Flexible working also reinforces our people's freedom to choose to work in the way that best suits them." **Respondent to CRF member survey**

4.1
Conclusions

- Diversity and inclusion has moved from being a specialist subject area to one that is a key element of business strategy, attracting the attention of CEOs and top teams. We are also seeing an increased interest in developing an organisation culture that allows diverse groups of people to feel they belong and can contribute to the best of their ability. Only when you have a truly inclusive culture will the potential benefits of diversity be fully realised.
- For those organisations that are building an inclusive culture, the business imperative is strong. It's not just about fairness; they believe that by creating a context that benefits from all the talents available, this leads to better team performance, helps attract the best talent, and ultimately is good for the bottom line.
- While creating an inclusive culture is a goal shared by just over half of the organisations in our survey, many are unclear about what that looks like in practice and how to define it. It is important to have a shared view within the organisation, so that actions can be targeted towards the desired results, and progress effectively measured.
- In some organisations there's frustration that investments in diversity are slow to bear fruit. We also encountered a degree of 'diversity fatigue'. Framing this subject as a mainstream culture-change agenda can help overcome these challenges.
- Inclusivity is not easy. It requires skilful management of the tensions that arise when people with different backgrounds, capabilities and opinions have to work together towards a common goal. People from different backgrounds need to find commonality, while accepting and valuing differences.
- The essential thread that runs through this topic is trust. Trust between individuals and their line managers. Trust that senior leaders mean what they say when they talk about creating an environment where everyone can thrive. Trust that the organisation's processes deliver fair and inclusive outcomes. Whether explicitly or implicitly, creating an inclusive culture also means building higher levels of trust across the organisation.
- Actions to build an inclusive culture need to focus on three key areas: the values, behaviours and decisions made by leaders both at the top level and those who lead teams day-to-day; the expectations of individual employees to behave in ways that support the target culture; and the systems and processes that underpin how work gets done, how decisions are made, and who advances in the organisation.
- There is no one-size-fits-all solution. Determining a route forward requires careful consideration of the current state of the organisation to identify where to focus, and clear links with strategic business priorities.
- Top leaders cast a deep shadow on the culture. Saying the right thing is helpful, but more important is consistent follow-through and holding people to account. Front-line managers are pivotal in ensuring the organisation's values play out in practice.
- Regardless of what top leaders may say, it's front-line managers who determine whether the experience of individual employees is inclusive or not. It is the day to day interactions with the team and the manager that leave individuals feeling included or excluded. This has significant implications for the way organisations select, develop and appraise managers.

The role of HR in developing an inclusive culture

One of the key messages of this research is that the inclusive culture agenda needs to be led from the top. So how can HR support leaders in attaining this?

- **Be clear that it's a business-led agenda, supported by HR**. If it's only the HRD who's seen to talk about this publicly, it's not going to work. HR can make a big difference by helping the CEO and other leaders articulate the talent legacy they want to leave.
- **Provide expertise**. HR needs to be on top of the latest research and have a clear view about what works and what doesn't. Educate leaders and raise the expectations of employees by sharing insights or useful articles proactively. This not just the responsibility of the D&I function. Business Partners also need to be knowledgeable so they can support the business. HR teams in the business need to be aware of central programmes so they can support and follow through.
- **Coach leaders** on how they can be more inclusive and provide guidance, advice and feedback.
- **Be on top of the data**. Closely track real-time data and trends and pick up signals early to identify where things are going off track.
- **Have the courage to call out where it's not happening as it should**. Be proactive and anticipate when the rate of progress is too slow to reach the destination in time. Rupert Jones of Morgan Stanley said: "It is only through early warnings that I can ensure targets will be hit. If I'm in the middle of a recruitment round, it is imperative I am told by HR when the data doesn't look good enough, as I can react before it's too late."
- **Be persistent**. It can take several years for programmes to gain traction, and even longer for change to be visibly embedded.

"In practice, a culture change requires the willingness and desire to reassess existing value systems, mindsets and habits, to change ingrained ways of thinking, behaving and interacting, to probe and rethink seldom-questioned basic assumptions and to follow new paths." **Pless and Maak**

- Those responsible for designing and driving the organisation culture need to understand how bias can lead to undesirable outcomes. They need to review core people processes such as selection and promotion with this in mind. They are likely to have to redesign processes to 'nudge' people towards making inclusive choices. It's important to experiment and use data to work out which actions make a difference. Much of the focus to date has been on achieving gender balance in recruitment processes. While this is important, it only goes so far. More attention needs to be paid to stem the flow of minorities as they progress through the organisation, and building healthy pipelines to enable the more senior levels of the organisation to become more inclusive over time.

Building an inclusive culture requires sustained commitment and consistent action over many years. Ultimately, culture change happens at the micro level. An inclusive culture will only develop through the repeated actions of individuals over time. It will be most rigorously put to the test when business conditions turn down. Does an inclusive culture survive the crucible of a crisis, or do the good intentions disappear when the going gets tough?

4.2
Understanding Where You Stand and What To Do Next

- Start by making an audit of the current workplace and climate. A cultural assessment tool may be helpful. However, already available data such as employment survey results, workforce demographic data, exit interview findings, flows of employees in and out by levels, can all give an indication of which parts of the organisation are doing better than others. Consider running focus groups to tease out the stories underlying the data. Identify parts of the business or leaders that are known to be inclusive, and find out what they do differently. Use the results of the analysis to identify priority actions.

- Does your organisation have a clear vision and purpose? This is a key start point for galvanising people around a shared, inclusive agenda, and connecting inclusiveness to business strategy.

- Definitions are important. What does 'inclusive culture' mean for your organisation? How does that differ from the organisation's diversity agenda? How would you determine whether the goals around creating an inclusive culture have been achieved?

- Look outwards to understand the latest research and scientific thinking in this field. Network with others to find out what others have tried that you might learn from.

- Be driven by evidence: test out different ideas internally to determine what works best and in what circumstances. Build into the design of interventions how you can gather data and how you will measure outcomes.

- Communication is critical. People need to understand what you're aiming to do, what's been achieved so far, what's still to be done and how you will know you've got there. Leaders need to understand their role in developing and supporting an inclusive culture. Individual employees also need to be clear about the responsibilities they have and how they can contribute to building the right culture. Transparency is key to engaging people and avoiding cynicism.

"The reason that companies are making such slow progress in hitting diversity targets is that they are aiming at those targets, rather than interrogating the assumptions and cultures that keep organisations the way they are." **Michael Skapinker, FT, 5 November 2015**

- Create a coalition for change by bringing people together – either physically or virtually through social media – to drive this forward.
- Take a systemic view of all the things that need to be realigned to help achieve your goals. Identify opportunities for using the techniques outlined in this report to 'nudge' people towards more inclusive choices. Don't just look at recruitment processes. Many organisations are achieving balance at entry levels into the organisation, but find that talented people who are different to the 'norm' either leave or their careers get stuck, so progress at higher levels in the hierarchy is much slower. The day-to-day experience of individuals and teams determines what the culture feels like, so action needs to be taken on how decisions are made and how people interact within the organisation.
- Don't assume that sending people on a training course will change behaviour. Action also needs to be taken at the level of the context in which people work, for sustained change to occur.
- If your organisation is serious about developing an inclusive culture, this needs to be integral to the way leaders are selected, developed and promoted and how their performance is assessed. How to be an inclusive leader and foster inclusive teams should be a core element of leadership development – not just a bolt-on.
- Unless this is led from the top, it will go nowhere. This means much more than tacit approval. The CEO and executive committee need to be seen to be visibly championing this, not just by what they say, but by the actions they take to set objectives and hold people accountable for results.

5

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