PageExecutive

VERCIDA CONSULTING

8 ways to promote a diverse and inclusive pipeline

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Defining and Measuring Diversity

According to research by the Centre for Talent and Innovation, organisations should define and measure diversity on two simple dimensions: *inherent* diversity and *acquired* diversity.

As stated in a 2013 Harvard Business Review (HBR) article, *"Inherent diversity involves traits you are born with, such as sex, ethnicity, and sexual orientation. Acquired diversity involves traits you gain from experience; working in another country can help you appreciate cultural differences, for example"*.

Defining and measuring inclusivity

While many organisations continue to focus on increasing their levels of diversity, new research suggests that the 'diversity divided' comes from an increase in levels of organisational inclusion – not diversity alone.

A recent CIPD report, *Building Inclusive Cultures: Assessing the Evidence*, highlights how employers are too focused on diversity and have forgotten inclusion. At VERCIDA Consulting we define inclusive organisations as those who *"respect, involve and leverage diverse talent for greater organisational good"*.

A central factor in creating cultures of inclusion is the role of leaders in role modelling inclusive behaviour. As stressed by the Centre for Talent and Innovation's research, leaders who promote a culture of inclusion where all employees feel free to contribute ideas demonstrate six key behaviours:

1. Ensuring that everyone is heard
2. Making it safe to propose novel ideas
3. Giving team members decision-making authority
4. Sharing credit for success
5. Giving actionable feedback
6. Implementing feedback from the team.

Defining and measuring belonging

Although there is a growing recognition amongst global business leaders that a move from diversity alone towards cultures of inclusion and respect is strategically correct, some have questioned the extent to which inclusion really is creating the sense of cultural belonging – that is, a sense of belonging that enables employees to be more motivated and highly engaged, and organisations more innovative and creative.

So, what is belonging? How does it differ from inclusion?

According to Inga Carboni, associate professor of organisational behaviour at the Raymond A Mason Schoool of Business, a sense of belonging emerges when a leader "creates an environment in which people feel they can be their authentic selves. That is, employees feel that they can share who they are, their true selves, without fear of being judged, disrespected or dismissed."

How Cultures of Inclusion and Belonging add to Business Performance

Team Composition

When teams are populated by - or dominated by - individuals who look, sound and think the same they are more likely to suffer from Groupthink, which narrows a decision-makers' field of vision and reduces an organisation's ability to tap into the constantly changing needs and wants of their diverse customers and clients. Groupthink restricts cross-cultural insights that are essential when developing products and services within a global market-place.

In a 2017 paper by the global consulting firm McKinsey and Co, they identified team composition as the starting point for creating high performing teams, of which diversity is a central element. The paper suggests that small teams of senior people – few than six people – may be particularly vulnerable to poorer decision-making, because a lack of diversity leads to the team suffering from a lack of bandwidth in thinking.

This research is supported by work from the cloud-based decision-making platform Cloverpop, which has shown how diversity in teams, together with inclusive decision-making, significantly increases business performance.

> "Inclusive decision-making activates diversity to improve innovation, engagement, and performance across the enterprise. It gives outstanding companies the opportunity to make quantum leaps ahead of their competition".

According to Cloverpop, teams of people are better at:

- identifying new and better choices that were not previously considered, resulting in a better decision
- bringing more perspectives, experience, and information, which helps to reduce cognitive biases and improves accountability
- making smarter decisions as the diversity of the team increases

Whilst many research studies focus solely on the relationship between gender diversity and business outcomes, Cloverpop were able to measure decision-making outcomes using a wider range of diversity characteristics, including age and geographical location.

Diversity of thought

Further research by Deloitte University Press stresses three key benefits to organizational performance of diversity of thought:

- **It helps guard against groupthink and expert overconfidence**: Diversity of thought can help organisations make better decisions more successfully because it triggers more careful and creative information processing
- **It helps increase the scale of new insights**: Generating a great idea quickly often requires connecting multiple tasks and ideas together in a new way
- **It helps organisations identify the right employees who can best tackle their most pressing problems:** Advances in neuroscience mean that matching people to specific jobs based on more rigorous cognitive analysis is within reach.

Driving innovation through diversity and inclusion

A 2017 study by Boston Consulting Group (BCG) – *The Mix that Matters: Innovation Through Diversity* - found a positive relationship between diversity and business innovation. Measuring outcomes from 171 companies, the study found a statistically significant relationship between management diversity and business innovation, meaning that companies with higher levels of diversity get more revenue from new products and services.

Specifically, the research found:

- the innovation boost isn't limited to a single type of diversity. The presence of managers who are female or from other countries, industries, or companies can cause an increase in innovation.
- management diversity seems to have a particularly positive effect on innovation at complex companies—those that have multiple product lines or that operate in multiple industry segments. Diversity's impact also increases with company size.
- at companies with diverse management teams, openness to contributions from lower-level workers and an environment in which employees feel free to speak their minds are crucial in fostering innovation.

In research carried out in partnership with PageExecutive 20 percent of respondents identified business innovation, being and employer of choice and business profit as their key diversity and inclusion drives. 30 percent of respondents identified employee engagement as their driver and 10 percent identified customer insight.

Respondents also identified the following business priorities

- Attracting diverse talent: 35 per cent
- Growing diverse talent: 25 per cent
- Retaining diverse talent: 10 per cent
- Connecting with diverse customers: 30 per cent

Diversity and business profit

A study by the global not-for-profit Catalyst found that companies with the most women board directors outperformed those with the least on return on sales (ROS) by 16% and return on invested capital (ROIC) by 26%.

The Center for Talent Innovation examined 40 business case studies and found that publicly traded companies with two-dimensional diversity were 45 per cent more likely than those without to have expanded market share in the past year and 70 per cent more likely to have captured a new market.

Research from McKinsey and Co in 2018 found that companies in the top-quartile for gender diversity on executive teams are:

- 21% more likely to outperform their national industry median on EBIT margin and 27% more likely to outperform on EP margin
- in relation to culturally diverse executive teams, these were 33% more likely to outperform their peers on profitability.

Our research with Page Executive found that while 58 per cent of respondent organisations did see diversity as a business priority, only 45 percent of companies currently measure return on investment.

8 Ways to Build a Diverse & Inclusive Pipeline

1. Use People analytics

As stated in a 2018 Harvard Business Review article, people analytics is defined as the use of data about human behavior, relationships and traits to make business decisions. The authors go on to state that the use of such data helps *"to replace decision making based on anecdotal experience, hierarchy and risk avoidance with higher-quality decisions based on data analysis, prediction, and experimental research".*

In the context of inclusion management, people analytics assists with:

- **Avoiding bias:** Using data to it identify trends and patterns in organizational decision-making and employee behaviours:
  - Number of hires by diverse groups
  - Trends in performance reviews; Demographics of high potential employees
  - Retention rates
  - Participation at work events

This approach takes the guess work and subjective judgement-making out of human thinking, by pointing to data driven tends and patterns.

- **Measuring belonging:** We have used a people's analytics approach with a number of our global clients to measure perceptions of workplace inclusion and belonging. This approach supports traditional methods, such as employee engagement surveys, by tracking, cross-cutting and aggregating data across a wide range of data points – social identity, location, length of service, hours of work, and other key metrics.

2. Adopt the principle of Amplification

When Barack Obama became the 44th President of the United States of America, two thirds of his top aides and advisors were men. Some female employees complained that they had to fight to have a seat at the table, and when they did get there, their voices were often crowded out by male colleagues.

In response, the women developed a strategy – Amplification. Put simply, and expanding the idea beyond gender, Amplification consists of a number of areas of intervention:

- giving recognition to the contributions and ideas of woman, people of colour, or other minority groups in team meetings
- repeating ideas post-meeting with a wider range of stakeholders, and acknowledging where the idea came from
- ensuring that diverse colleagues are given a platform to have their ideas heard at internal work events
- ensuring that keynote speakers at conferences represent a wide range of diverse voices
- ensuring that project teams provide spaces for equal contribution from all key stakeholders, taking into account factors such as job role, position, location and other such factors.

As stressed by Rebekah Bastian, a vice president of culture and community at Zillow Group, to create a culture of inclusion and belonging, it is not enough to have diverse people included around that table. Rather, we need *to "amplify everyone's voices, clear barriers … and appreciate each other for our unique backgrounds."*

3. Change the default by making agile working the norm

Traditional approaches to workplace inclusion – flexible working hours, part-time working, compressed hours, job share and other such schemes, have done little to remove the inherent barriers to workplace participation.

We at VERCIDA Consulting believe that in order to attract, retain and grow talented individuals, organisations should move towards the principles of agile working.

The simplest way to think of agile working is, according to The Agile Organisation, 'Martini' Work – anytime, anywhere. In comparison to flexible working, agile working is about:

- Measuring outputs vs measuring hours worked

- Responding to business needs vs a Rights based agenda

- Using technology as an enabler to smart working vs limited use of technology to drive inclusion outcomes

In *Future Work*; *How Businesses Can Adapt and Thrive In The New World Of Work* by Maitland and Thomson the authors set out five key principles for embedding agile working, together with a set of skills required:

- Trust your people: Being open to change

- Reward output, out input: Inspiring and motivating

- Understand the business Case: Awareness of big trends

- Start at the top: Willingness to change

- Treat people as individuals: Appreciation of difference

4. Less mentors, more sponsors

In her ground breaking book *Forget a Mentor, Find a Sponsor*, Sylvia Ann-Hewlett CEO of The New York based Centre for Talent and Innovation, questions the effectives of workplace mentoring as a strategy for female development and advocates a switch towards sponsorship.

According to Sylvia Ann-Hewlett, there is a critical difference between mentors and sponsors:

Mentors shine as you start to define your dream. They can help you determine your strengths: what you do exceptionally well and what sets you apart.

Sponsors deliver: They make you visible to leaders within the company -- and to top people outside as well. When it comes to opening doors, they don't stop with one promotion: They'll see you to the threshold of power.

This approach is support by Herminia Ibarra, who in a 2019 Harvard Business Review article – *A lack of Sponsorship is Keeping Women from Advancing into Leadership* sets out a spectrum of support available:

- **Mentor:** Provides advice, support or coaching

- **Strategizer:** Shares 'insider' information' about advancing; strategize getting ahead

- **Connector:** Makes introductions to influential people, talk up colleagues with their peers

- **Opportunity giver**: Provides a high-visibility opportunity

- **Advocate:** Publicly advocates a promotion; flights for people in settings where they can't fight for themselves

5. Building psychological safety (PS)

There can be no belonging without psychological safety.

In 2012, Google launched Project Aristotle, asking themselves a simple question – what factors lead to high preforming teams?

PS emerged as the most critical and is defined as team members feeling safe to take risks and being vulnerable in front of others. Behaviours aligned to this include:

- feeling that you can make a mistake, as these won't be held against you or be career limiting

- not rejecting others for being different, or rejecting their ideas because they are different

- asking for help from colleagues without fear of being judged

- having all of your skills utilised

- not acting in a way that would deliberately undermine colleagues

6. Trust building through integrity

Trust-building through integrity is a key feature of leadership behaviour, which helps to promote cultures of belonging.

As stressed by Paul Santagta, Head of Industry at Google, "there's no team without trust". Trust is a fundamental element of inclusion and inclusive leadership.

Similarly, Paul J. Zak, founding director of the Center for Neuroeconomics Studies, states that building a culture of trust is what makes the difference between cultures of belonging and high performing teams. His work stresses the relationship between high-trust organisations and workplace productivity, team collaboration and employee engagement and retention.

Trust is generated by leaders who are authentic and open about their weaknesses as well as their strengths. Trust is awarded to those leaders who challenge bias and corporate practices that lead to, or cover up, inappropriate behaviours. And yet, rather than promoting speak-up cultures, too many of today's corporate leaders create and reward – wittingly or otherwise – what I call 'Zombie Leadership'. Zombie leaders:

- are influenced by dead ideas on what motivates employees

- hire for diversity but have a real preference for sameness

- have zero-limited insight of how outsiders experience work

- put pressure on diverse colleagues to conform to Zombie norms

- turn a blind eye to or collude with behaviours that don't align to stated values

Zombie leadership results in a decline in employee motivation, engagement and belonging. Feeling of disempowerment from diverse colleagues, together with the need to cover key aspects of who they are for fear of being seen as different and not one of the team, grow. Innovation and creativity decline.

Without trust and openness, integrity cannot be present. To generate trust, organisational leaders should:

- share their vulnerability by admitting mistakes and personal limitations
- encourage alterative perspectives and be open to changing their viewpoint
- not get hung up on hierarchy
- act in the wider interests of the organisation by aligning their everyday behaviours to organisational values
- speak up loudly when things are not fair

7. Find ways to create insight

Just as there is no culture of belonging without integrity, there can be no culture of belonging without insight.

In Daniel Goleman's HBR article, What Makes a Leader?, he makes two key statements: firstly, the one thing that all good leaders have in common are high levels of emotional intelligence (EQ) and secondly, there aren't emotionally intelligent leaders, without empathy.

Insight, or more specifically insight into the experiences of diverse groups, is facilitated by empathy-lead curiosity and perspective taking.

Curiosity leads to greater empathy amongst leaders; they find it easier to gain greater insight into the thoughts, feelings and perspectives of diverse groups due to the adoption of a growth mindset, whereas fixed mindset leaders bunker down into bias thinking. Leaders can develop insight by:

- walking in the shoes of others through high levels of empathy and the desire to see the world from alternative perspectives
- actively listening to the voices of organisational outsiders. Too many organisational leaders operate within their own echo chambers, as they surround themselves with like-minded individuals
- using 360-degree feedback loops to solicit feedback on personal and organisational biases
- seeking data that shines a spotlight on the feelings and experiences of diverse colleagues
- actively seeking ideas on business goals from diverse colleagues

Research by Boston Consulting Group suggests that in order to create effect change, businesses should establish a set of metrics and goals that can be used to drive change.

They suggest five key areas of primary focus:

1. **Pay:** Measure financial rewards to ensure that men and women working within the same roles are paid the same. Included bonus payments.

2. **Recruitment**: Set goals and targets on the number of diverse hires you would like to make over a set period of time. Use your people data to create a realistic, data driven target.

3. **Retention**: Use your people analytics systems to track levels of attrition across a wide part of diverse groups. Think beyond the obvious and include groups back in factors such as location and part-time / full-time workers.

4. **Advancement:** Business should measure the levels of diverse groups at each stage of the company ladder. Solely focusing on executive level advancement risks missing a more complex picture of career development.

5. **Representation:** A smart approach to inclusion management is not simply a case of increasing the numbers of diverse groups into senior positions, finding that women, for example, may be concentrated in areas such as HR. Ensure diverse leaders are spread across a wide range of business functions, including strategy, finance, research and development and customer insight teams.

In our research, carried out in partnership with PageExecutive we found the following results:

- 32 per cent of respondents suggested that their organisation currently has diversity targets

- Of these, 33 per cent suggested their targets focused on women and black and minority ethnic groups; while 17 per cent identified disability and increasing social mobility as a focus for targets

- 14 percent suggested that targets focuses in increasing diversity at both recruitment and at middle management level, while 72 percent suggested the focus was in increasing diversity at the senior level

- We found the following results to the statement – I believe that diversity targets can be a useful mechanism to help to promote organisational diversity:

  - Completely agree: 14 per cent

  - Agree: 27 per cent

  - Neither agree nor disagree: 9 per cent

  - Disagree: 9 per cent

  - Completely disagree: 41%

In response to the same question on diversity quotas, 38 per cent of respondents either agreed or completely agreed with 58 either disagreeing or completely disagreeing.

Final thoughts

Above we have set out 8 ways to build a diverse & inclusive Pipeline; but of course the first staring point to building such a pipeline is to create a roadmap for success. Our research with PageExecutive found that 65 per cent of organisations who responded stated that they did not have a separate D&I strategy.

Other key finding included:

- 59 per cent of businesses do not have a dedicated diversity and inclusion role

- 55 per cent of organisations do not plan to invest in diversity / unconscious bias training within the next 12 months

- Of those that do (45 per cent), 30 per cent of the intervention will be aimed at executives, 20 per cent at middle managers, and 50 per cent aimed at all employees

- Key barriers to workplace diversity and inclusion where identified as attitude of leaders (25 per cent), attitude of middle managers (25 per cent), existing policies and processes (23 per cent) and workplace culture (27 per cent)

- 50 per cent of organisations stated that they had a diversity and inclusion champion at the Board level and 25 per cent of organisations stated that they had a diversity champion at Executive level.

About us

Part of VERCIDA Group, VERCIDA Consulting is a global inclusion management business. We support organisations to make lasting change happy in four key areas of expertise:

- Leadership
- Education and training
- Strategy and Consulting
- Assessments

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