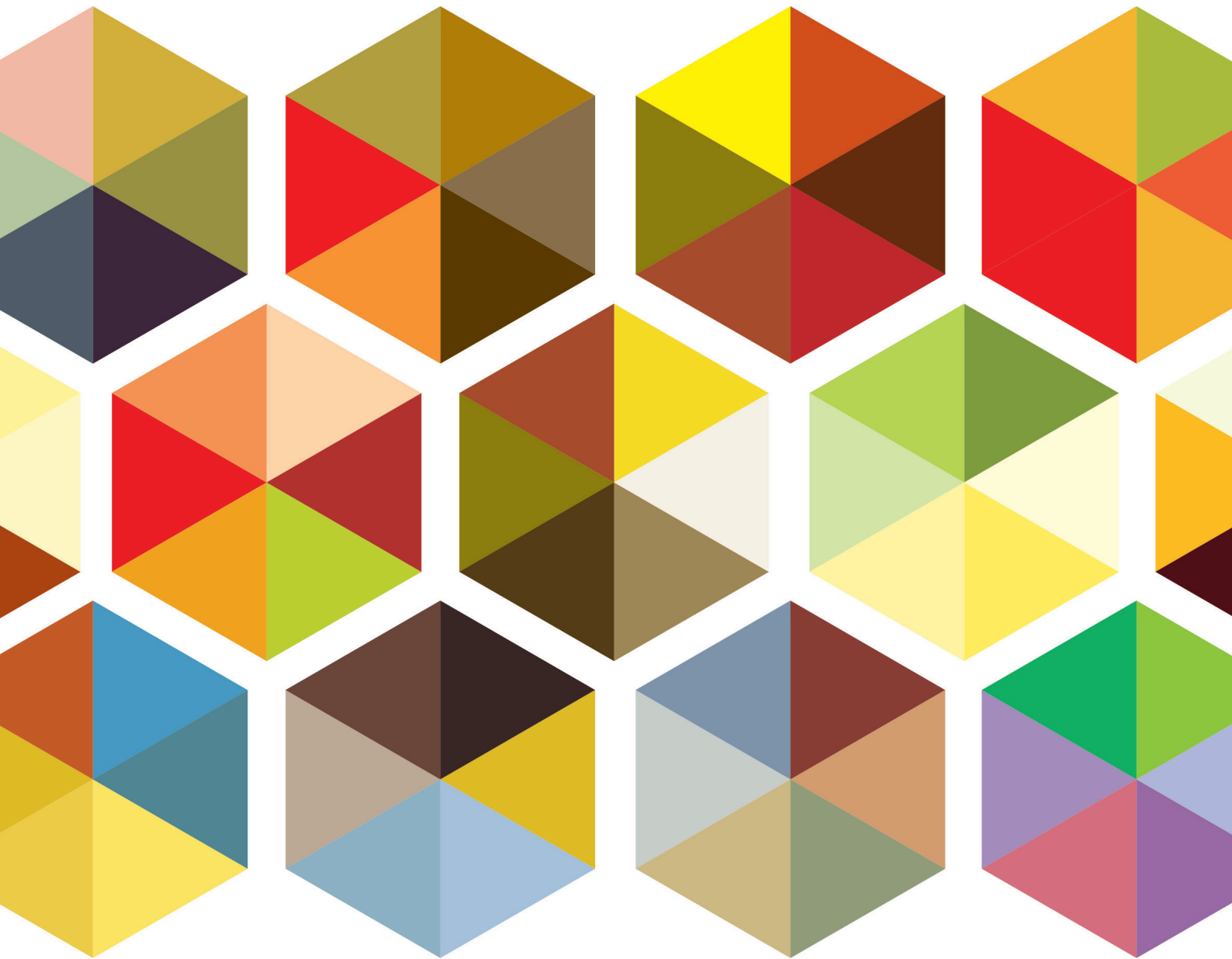


Unleashing the Power of Diversity

Measurement, Motivation and Management



By Professor André Spicer and Professor Vicki Culpin
Prepared for Power of Diversity Forum May 2017

Lord Mayor's Appeal
POWER OF DIVERSITY
BREAKFAST SERIES

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Measurement, Motivation and Management**
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May 2017
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PO Box 270, Guildhall
London
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www.cityoflondon.gov.uk



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Welcome from Dame Fiona Woolf

As only the second woman in 825 years to be elected Lord Mayor of London, I seized the obvious opportunity to promote diversity and inclusion and was wonderfully supported by a collaboration of some 35 businesses and professional service firms in the City and outside. During my year in office, their logos were seen on three buses with the slogan "Dedicated to Diversity" and I called the programme the "Power of Diversity".

I did a great deal of listening in my preparation for my mayoral year. My conversations revealed that there was a real sense of frustration that the considerable efforts over lengthy periods of time were not achieving the results that everyone had expected. For my own part, I had been working on the diversity and inclusion agenda since the 1970s. I had often felt that I must be on the crest of a wave but, somehow it never got up the beach!

The many surveys, meetings and events in preparation for and during the Power of Diversity programme revealed three remarkable statistics – 87% said they could detect very little being achieved, 84% said "my senior leaders are doing all the right things" but only 27% said "and I feel under some sort of pressure to do something about it too".

We set about to explore the gap between the perception of senior leader activity and the effective activity throughout the entire organisation. The focus was on **motivation, measurement and management**.

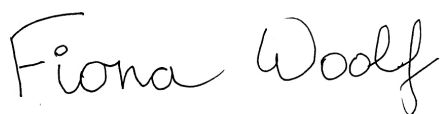
Motivation in implementing a diversity and inclusion strategy has, in the past, been driven by a sense of fairness - the moral case. More recently, the business case has been developed – widening the talent pool and capturing the benefits of diversity of thought. However, the business case has been focused on the organisation as a whole and not at the worker level – meaning those individuals who are team leaders or supervisors and, as a result, what I call the "keepers of the talent pipeline". They are, typically, responsible for doing the work and managing a team at the same time, motivated by specific targets (often on income generation) rather than development of their own leadership and management skills. They are very busy, with precious little time to spend on talent development and diversity and inclusion. To create motivation at an individual level, we need to deal with the question "what's in it for me?"

Measurement at an individual level has tended to focus on meeting targets (especially the numbers) which is understandable – the measures speak for themselves and are simple to administer. Some organisations use a "balanced scorecard" approach that is designed to promote other ethical values and behaviours, but everyone knows that these are less easy to define or measure and the "balance" will be in favour of meeting the numerical targets. That is why the collaborators were interested in tools to help measure the way in which emerging leaders were recruiting and managing teams to capture the benefits of diversity. Essentially, it is about holding everyone to account in the implementation of the diversity and inclusion strategy set by the senior leaders and boards – the principle of "what gets measured, gets done!"

Management is key to filling the pipeline with diverse talent and delivering its benefits, particularly in increasingly flatter organisational structures where lateral promotions require transferable skills. We all learn some of the many facets of management on the job and some receive formal training, the most impactful from a diversity perspective being to deliver inclusive leadership skills. I suppose that one of the reasons that there is not a huge training industry in talent development and inclusion is that emerging leaders are still expected to do the work as well as leading a team. There are only 24 hours in a day! However, if they could find time to learn inclusive leadership skills, their talent development skills would stem attrition, especially amongst women in mid-career and make the heterogeneous team more skilled, flexible, productive and attractive to customers. The benefits would drop to the bottom line and be easily measured in terms of income generation and business development.

This report is the result of much collaboration and my thanks go to all those who have given their time and thoughts. The research was led by André Spicer of the Cass Business School and Vicki Culpin of Ashridge Executive Education. Charlotte Sweeney OBE directed the Power of Diversity programme during my mayoral year, and the two funders, CIMA and the City Corporation provided invaluable intellectual resource to help to finalise the report. We are grateful for the insights from Sophie Hulm and Laura Davison at the City Corporation and Samantha Louis at CIMA. The programme and collaboration were creatively taken forward by Javed Thomas, assisted by Rose Grissell, of The Lord Mayor's Appeal.

What's next? My final thought is that the effective implementation of diversity and inclusion strategies is really about the sustainability of our organisations in the long term, but it has an immediacy. It delivers the right values but it also delivers productivity and creativity, which is what every economy needs. During this research, we unearthed a lot of learning about what works and what doesn't. We should collaborate on getting to the bottom of it and save ourselves and others a lot of precious time.



Alderman Dame Fiona Woolf DBE

Executive Summary

Background

The City of London is a world leader because it can attract diverse talent from around the world. We know that businesses which make diverse people feel included tend to perform better on a wider range of measures. In 2013 the Power of Diversity programme was established to explore how businesses in the City could harness the advantages of diversity.

We found 87% of business people in the City surveyed didn't think that their company's efforts on diversity and inclusion were having any impact at all. 84% of employees agreed that their company made a commitment from the very top to create a diverse and inclusive work environment, yet only 15% of mid-level managers felt their leader's actions were consistent with their words. Only 27% felt they were responsible for or empowered to implement a diversity and inclusion strategy. Senior leaders in the City were committed to diversity, but this wasn't being translated into practice.

We set out to explore why good diversity and inclusion (D&I) strategies were not always being implemented. To discover why this was happening, we examined the D&I strategies in fifteen leading City businesses. We also held focus groups with people involved with D&I at senior, middle and junior levels.

Findings

D&I strategies were being derailed by a lack of individual measures and disconnect with individual motivations. Although firms measured diversity in aggregate, they did not often measure what individual managers were doing to deliver on diversity strategies. When there were measures in place, they were only a tiny part of larger appraisal systems. We also found individual staff were motivated to take diversity seriously when it was championed from the top, when the motives were clear, and when the initiatives connect with their lived experience.

Firms were driven to take their D&I strategies seriously when clients demanded them to, when top management supported initiatives, when there were accreditation exercises, when there was international pressure and when diversity was built into the culture of the firm. Firms found diversity initiatives difficult to implement when they lacked a D&I strategy, they lacked HR systems to measure diversity, there were mergers and acquisitions which disrupted diversity initiatives, tokenism took hold and the wider culture undermined diversity and inclusion.

Recommendations – The Three “Ms”

To implement a diversity and inclusion strategy effectively, firms need to do three things – our three “Ms” – measurement, motivation and management.

First, they must ensure that their progress on D&I is **measured**. Firms must keep track of how they are doing on inclusion across all aspects of the employee life-cycle – from recruitment to exit. They also need to ensure those measures are used at the organisational and individual levels.

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Second, firms need to ensure that D&I initiatives are properly **motivated**. This means driving people throughout the organisation to turn a D&I strategy into a reality. Firms can do this by making the case for D&I, getting support from the top, connecting it with client needs, harnessing individual problem solving by empowering individual teams to create ways to achieve diversity targets. Everyone can create opportunities to unleash the power of diversity by encouraging people from different backgrounds deliberately to work together demonstrating the benefits, encouraging social accountability, and, above all, by holding everyone to account.

Finally, firms must ensure that the D&I strategy is made into a day-to-day reality through good **management**. This requires firms to encourage their middle managers to move beyond transactional (work-focused) leadership and embrace inclusive leadership, to develop high quality relationships with all team members by developing their talent, and to match the preferred leadership styles of their followers.

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What is Diversity and Inclusion and Why Does it Matter?

The 21st century workforce is made up of people from a wide range of backgrounds. One of the major competitive challenges which firms face is how they can harness this difference to create positive results. Firms tend to have four broad approaches to dealing with workplace diversity:

Exclusion

These organisations do not value their employees' uniqueness and they don't try to make diverse employees feel like they belong. Diverse people working in these organisations feel like they are not valued for who they are and they do not fit in.

Assimilation

These organisations do not value each employee's unique qualities but they do try to encourage them to fit in. Diverse people in these organisations feel they can fit in to the wider culture but often at the cost of 'who they really are'.

Diversity

These organisations celebrate each employee's unique individual characteristics but they do not try to encourage a wider sense of belonging in the organisation. This means employees feel like they can be 'who they are', but they do not necessarily feel like they belong.

Inclusion

These organisations give individuals space to express what makes them unique but they also make employees feel like they belong. Employees in these organisations feel they can 'be who they are' but they also feel like they fit in with the wider culture of the organisation.

Companies which have tried to build workplace inclusion strategies create a sense of belonging but also value and harness individual uniqueness. Some components of an inclusion strategy are:

Recruitment

Targeting under-represented groups in recruitment processes. This sometimes involves creating alternative entry points into the firm such as apprenticeships and routes for parents or carers to return to work.

Selection

Finding mechanisms to eliminate biases in selecting the best candidates. This ranges from quotas on shortlists through to elimination of identifying features on CVs.

Development

Ensuring that under-represented groups are provided with the support they need to develop within the organisation. This might include mentoring and targeted training, but, more importantly, involves regular feedback and fair access to the top quality work on which their experience will be built.

Promotion

Ensuring there is fair promotion throughout the firm. This involves using fairer criteria as well as oversight of 'pinch points' at which under-represented groups tend to get halted in their career progression. Promotion may be lateral as organisations become flatter in their management structures.

Communication

Ensuring that people communicate in a way which makes under-represented groups feel included. Special events are sometimes held to celebrate particular groups in the firm.

Flexibility

Ensuring roles can be changed to suit employee's needs. This includes flexibility around working hours and some scope for 'role crafting' to fit individual needs.

Networks

Many organisations have informal social or business networks that provide support within the organisation. These may include specific networks for groups like women, LGBT, ethnic groups, disabled people and carers.

See Appendix 4

We know that building a sense of inclusion pays off for organisations in a number of ways, which include:

Increased job performance

People in inclusive workplaces perform to higher levels in their work. They are more productive and effective and more likely to attract new business

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Increased employee wellbeing

People working in inclusive workplaces tend to have better physical and mental health. They are less stressed, less anxious and take less leave for health issues.

Wider career opportunities

Inclusive workplaces are better at developing their employees' human capital. They help to grow people's skill sets, develop their careers and ultimately make them more valuable for the business.

Creation of high quality relationships

People working in inclusive workplaces tend to get along better with each other. There are higher levels of trust and better day-to-day interactions.

Increased job satisfaction

People in inclusive workplaces tend to be more satisfied with their jobs.

People working in inclusive workplaces tend to have better physical and mental health. They are less stressed, less anxious and take less leave for health issues.

Decreased turnover

People in inclusive workplaces are less likely to leave. This decreases the costly search for and investment in replacements.

More organisational citizenship behaviors

People in inclusive workplaces are more likely to go the extra mile to help out. This means they are likely to step beyond the confines of their narrow role and do things which are 'not their job'.

Increased creativity

Inclusive workplaces tend to be more creative because employees feel like they can put forward their unique ideas.

Inclusive workplaces are better at developing their employees' human capital. They help to grow people's skill sets, develop their careers and ultimately make them more valuable for the business.

Given these benefits, it is unsurprising that many organisations have sought to adopt inclusion strategies. However, in earlier research we found that despite adopting D&I strategies, the majority of firms are struggling to make these into a reality. We wanted to know why this was the case.

Why Firms Struggle to Implement Diversity and Inclusion Strategies



Firms often do not fully implement diversity strategies because of a lack of effective measurement and a lack of connection with individual motivation. We also uncovered some important barriers to and enablers of the implementation of D&I programmes (see Appendix 2).

Measures

Vanilla Organisational Measures

Most of the organisations we analysed had the capacity to measure organisational demographics at differing job levels. However, there was a lack of willingness to use this data. Firms which did use this data focused on 'vanilla' demographic measures such as gender and ethnicity. They were hesitant about the reporting of more 'controversial' demographics such as sexuality, social class, or disability.

Lack of Individual Measures

There was weak measurement of implementation of D&I at the individual level. Some organisations reported the introduction of balanced scorecards. These allowed the firms to measure individual performance over a range of metrics, including compliance with company values, and the use of behavioural goals in individual appraisal. Some organisations reported a link between reward and performance on these measures. Measures around diversity were at best only a tiny part of an entire assessment of individual performance across the balanced scorecard. This was often because D&I goals were articulated in a vague way, and in most City businesses commercial and client-centric goals continued to dominate.

Lack of HR Information Systems

Many HR systems did not collect data which would help to monitor D&I issues. This could range from capturing simple demographic measures through to monitoring departmental, team or individual level performance on meeting diversity and inclusion targets. Some participants also expressed a concern that by not being able to measure D&I it was also impossible, therefore, to manage it.

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Motivation

Confused messaging

Senior leaders felt that D&I strategies often gave conflicting messages about the 'moral' versus organisational 'business' case for the focus on diversity and inclusion. One senior leader asked "should we be focusing on the commercial issue and put aside the moral issue . . . a lot of people will never be convinced of that". Middle managers and juniors echoed these thoughts, but were even more stark in the messaging; be 'honest and clear' about the real reason, business necessity, with the impact on the bottom line being seen as much a personal motivator as the 'moral' or 'right' thing to do.

Absence of Accountability

According to senior leaders, a lack of accountability coupled with a lack of empowerment among middle managers meant that those who should implement the strategy were not personally motivated (or incentivised) to do so. Middle managers agreed that empowerment of line managers was critical for personal motivation and success. They needed a clear answer to the question of 'what's in it for me'.

'Tokenism'

This often occurred in businesses which had adopted some kind of D&I strategy and launched a handful of symbolic initiatives. When this happened, there was a significant danger the organisations could say it had done something about D&I, when, in reality, nothing had happened beyond creating a feel-good factor.

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Management

Failure to Frame D&I as Good Leadership and Management

Senior leaders felt that the D&I strategy needed framing as being part of good leadership and management. One said that diversity and inclusion is 'actually about really good management practice'. Middle managers also felt that rather than focusing on the diversity and inclusion strategy, motivation could be enhanced by reframing as a leadership issue.

Lack of an Established D&I Strategy

Organisations at the beginning of their D&I journey reported a poorly articulated strategy. D&I initiatives were often not thought through, lacking in direction and ad-hoc. Many of the organisations which fell into this category had recently realised the importance of developing a coherent D&I strategy which would allow the development of focused and targeted initiatives. For middle managers, who perceive themselves as responsible for the strategy implementation, the key word was simplicity.

Effects of Mergers and Acquisitions (M&A)

Although an organisation may have a well-established and progressive D&I strategy, its component parts may not, and changing this can prove to be difficult. This became particularly pronounced when organisations undertook mergers and acquisitions, bringing in businesses which were less progressive.

Organisational and Wider Culture

The role of organisational culture was a key theme that emerged during the focus groups. When we conducted an audit of current D&I activities with the participants, the wider sector culture was discussed as a potential barrier to change. Many organisations tend to closely monitor what their competitors do. When an entire industry does not regard D&I as an important issue, then it becomes difficult to spark change. For example, in some industries D&I issues had been tackled over a decade ago, whereas in other industries it was a relatively new issue on the strategic agenda.

One focus group member said it was vital to "embed (D&I) as part of your organisational culture, rather than it just being a strategy in isolation".

Tools for Implementing Diversity and Inclusion Strategies



Introduction

From our research (see Appendix 3), we found that in putting a good D&I strategy into practice, firms need three things: effective measures, clear motivators and good management. Effective measurement keeps track of how well an organisation is doing in ensuring it has a diverse and inclusive workforce. Motivators drive people throughout the organisation to take on D&I strategies. Having good management is how D&I strategies are made into a day-to-day reality.

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Measurement

The first aspect of putting a good D&I strategy into practice is measurement. This helps firms keep track of how they are doing. But it also enables firms to hold themselves, and their managers, to account for delivering on their D&I strategies. We found that the best measures that firms used were a range of D&I measures which covered the entire employment lifecycle. They measured the organisation as a whole but also measured the contributions of individuals to D&I goals. Finally, they used focused and integrated measures.

Measure the Whole Employment Life Cycle

To develop an effective D&I strategy, firms need to keep track of their progress across the entire employment life-cycle. This means keeping track of how well they are doing in ensuring a diverse and inclusive workforce from recruitment, retention, promotion and development. Taking a whole life cycle approach allows a firm to identify points in the employment life cycle when they may be losing talented people. For instance, by measuring across the employment life-cycle, some professional service firms found that they were doing well at recruiting women into entry level positions, but they tended to lose them as they moved up the organisation. This helped to target interventions at particular parts of the employment life cycle.

To measure D&I goals across the employment life cycle, firms could track some of the following:

- **Representation**

This would involve keeping track of the number of people based on gender, nationality, ethnicity, disability and other relevant categories.

- **Recruitment**

Firms can track the numbers of expressions of interest, applications, interviews, offers and accepted / rejected offers for different groups.

- **Placement**

Firms can measure which parts of the firm different groups are concentrated in. This can help to identify if there are any parts of the organisation where there are high or low concentrations of particular groups.

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- o **Transactions**

Firms should keep track of promotions, lateral moves and departures within the firm. This will help them to understand which groups move up, move across and who moves out of the organisation.

- o **Training**

Firms should keep track of which employees are given training and development and in which areas. This would, ideally, capture the quality of on-the job experience and will help firms to identify which groups are being upskilled and which are not.

- o **Workplace climate**

Firms can keep track of how inclusive the climate of the organisation is. A useful tool for doing this is Nishii's 'inclusive climate' inventory (see Appendix).

Organisational and Individual Measures

Firms need to measure progress on D&I goals at a range of levels. This will help them to understand if they are making progress on these goals but also what contribution individual managers are making. By measuring individual managers' contribution to diversity goals, organisations can help to hold them to account for their specific contributions (or lack of contributions) to the wider D&I strategy.

Measuring individual managers' contributions to the D&I strategies means tracking the population and turnover of their teams, progress of team members across the employee life-cycle, training and the inclusiveness climate in each team. This would help to identify which managers were making both qualitative as well as quantitative differences to D&I within the firm. The results of these measures could form a combined score which would then be part of each manager's balanced scorecard. We think that more rigorously assessing individual managers' contribution to D&I goals is an important step beyond what are often rather vague measures associated with 'culture' or 'values' in many balanced scorecards.

Integrated and Focused Measures

Firms need to ensure their measures are both integrated as well as focused. They need to be integrated insofar as they connect D&I measures with other integrated reporting initiatives which are currently afoot in many organisations. By measuring D&I progress, firms are able to effectively measure a component of human capital development. This is often an important part of many cutting-edge integrated reports now being produced by companies.

Firms also need to be conscious to keep their measurement systems sufficiently focused and simple. There is a danger that producing too many complex measures will act as a barrier to implementing a D&I strategy. There is also a danger that over-measurement can lead to firms to spending more time manipulating metrics rather than spending time actually making a D&I strategy into a reality.

Firms should keep track of which employees are given training and development and in which areas. This would, ideally, capture the quality of on-the job experience and will help firms to identify which groups are being upskilled and which are not.

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Use Measures for Accreditation

Often D&I initiatives are driven by local interest among people within the business who want to be seen to be 'doing the right thing'. This leads firms to participate in accreditation exercises like kite marking, employer branding, awards or networks. Participation in these exercises leads to external information sharing and competition between organisations to improve their D&I 'position'. This leads to good practice being showcased and a platform to further internal change.

Motivators

The second aspect of making a D&I strategy into a reality is deploying motivators which will drive managers in organisations to put policy into practice. From our own research, we noticed that there were four things which firms did to drive their D&I practices: disseminating the case for D&I, finding champions for D&I at the top of the organisation, harnessing client demand and highlighting international pressure to drive D&I. In addition, we examined the wider body of evidence about the best way to drive the implementation of D&I strategies. This helped us to identify three additional strategies for motivating the adoption of a D&I strategy: harnessing individual problem solving, creating meaningful exposure to diversity, and ensuring social accountability.

Disseminate the Case

One factor which was mentioned by many of the firms we talked with was the need to have everyone understand the case for why D&I is important for the firm. The business case details how the organisation will gain hard economic benefits from D&I measures. This might include aspects ranging from reducing HR costs through to being able to attract new customers. In addition, many respondents mentioned the continued importance of the moral case. This is the argument that promoting D&I is the right thing to do in organisations.

We noticed that the case for D&I might be made at a more general level. However, a general case for D&I was often seen as too abstract. It was often more effective when the case was made in a way which directly linked with people's specific functions. This means convincing individual leaders why adopting a D&I strategy is important for them and their part of the business. This could typically involve articulating what they would stand to gain and also why it is right for their specific part of the business.

Gain Support from the Top

A second consistent theme we saw in our own research was that the organisations which were most successful in implementing a D&I strategy gained support from the top of the organisation. This often meant having a champion for the D&I strategy which sat at senior executive level or on the board. They could support the strategy as well as ensure necessary resources were in place. Furthermore, they would often act as positive role-

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models for those further down in the organisation to show this was an important issue.

One participant told us 'these things start in the middle somewhere, but, until you actually get the boardroom to regard it as an issue . . . nothing will happen'.

Use Client Demand

The third driver of D&I we noticed from our research was the importance of client demand. We found that organisations often took D&I strategies much more seriously when their clients looked for explicit commitments around this area. One way to make D&I strategies real for all parts of the business is to show how it can be used to attract or the least comply with increasing client interest in this area.

Highlight International Pressure

This was particularly important in multinationals which were headquartered outside of the UK. Home country legal and cultural requirements would, at times, drive the adoption of more progressive diversity and inclusion initiatives than were typical in the UK.

Harness Individual Problem Solving

Middle managers are more likely to be involved in delivering a D&I strategy when they see themselves as contributing in a way which is both personally and organisationally relevant. One way to create this level of involvement is through involving employees in **targeted recruitment**. when individual managers are given the challenge of recruiting under-represented groups, the level of engagement is often high, proposed solutions are often innovative and creative, and levels of ownership increases. In addition, engagement in the recruitment process itself often heightens awareness of diversity issues for this population.

A second way to engage employees through consideration of personal motivation is the use of **mentoring and reverse mentoring**. By assigning members of under-represented groups to senior individuals to be mentored and to mentor, it helps develop the skill base of both mentor and mentee and it tends to change the attitudes of both individuals when they are able to see an alternative perspective. In addition, the personal motivation of individuals engaging in mentoring relationships ('what is in it for me?') can be enhanced as it creates networks within the organisation, which are helpful for future work opportunities outside of the D&I agenda.

Create Opportunities for Exposure

In many organisations, people from different backgrounds exist side-by-side but often have little genuine and meaningful contact with each other. Creating natural contact between members of different demographic groups can improve attitudes and lessen discrimination. One way that organisations can harness this collaborative culture is through the **development of self-managed teams**. These are teams which are created

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by bringing together a range of people from different functions across the organisation, and then allowing them to work together across disciplines. This cross-disciplinary working is important as often, particular groups may cluster around a specific function or job role (e.g. HR being dominated by women, technical roles dominated by men), and self-managed teams help break down the silos (leading to a generally more effective working environment) along with dispelling myths around stereotypes.

Another way in which organisations can create natural contact between different groups is through training programmes which **rotate new recruits** through different job roles in the business. As with self-managed teams, this cross-functional training can improve functional as well as demographic diversity within an organisation and create flexibility and transferable skills that are of value to the organisation (particularly one with a flatter structure) and increase productivity. Some of the organisations rotated new recruits through their organisations.

Encourage Social Accountability

The final set of initiatives that have been shown to be effective is the encouragement of social accountability for diversity and inclusion goals. This accountability is beyond the measurement of performance against organisationally defined goals. It relates to accountability to an individual's peer group. One way to trigger social accountability is through **diversity task forces**. Although these can be seen as only symbolic, they can also provide an important forum where managers are held to account by their peers for ensuring that there is progress on diversity targets within their area of the business. These task forces also have the effect of putting managers in to the driving seat in identifying problems and generating solutions to local problems with which they are faced. Many of the organisations we spoke with had some kind of diversity task force in place.

A second way to ensure social accountability is the appointment of **diversity managers** within businesses. Beyond the strategies which they develop, or any work which they initiate, these people, when they are appropriately empowered and respected can play the role of holding managers to account for their performance. When managers feel like they will have to explain the decisions they have made to another (separate from their immediate line manager), they are more likely to make less biased decisions around issues such as recruitment, pay and promotion.

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Management

The final component of delivering D&I strategies is ensuring that firms have good day-to-day management practices. This means encouraging leaders to be inclusive. Inclusive leaders make team members feel like they belong, that they are valued for their unique characteristics and can have access to top work and learning opportunities. In recent years, a growing body of research has outlined the qualities of inclusive leaders (see Appendix 5 and 6). Drawing on this work, we have identified a number of leadership practices which make employees feel more included.

Move Beyond a Transactional Approach

To ensure co-workers feel included, leaders need to move beyond a transactional (work-driven and task focused) approach to team leadership. Many professions take a hands-off approach to leadership, leaving followers to sink or swim. Some manage followers by exception, only making interventions when things go wrong. A third group engage in a simple exchange of rewards and effort. To ensure inclusive workplaces, leaders need to put effort into inspiring and engaging their followers. A large body of research on 'transformational leadership' show that this can be done in five ways:

- **Idealised influence**
Instilling a sense of pride in followers, talking about your values and beliefs, emphasising the broader purpose of a task.
- **Inspirational motivation**
Showing optimism and enthusiasm, expressing a positive vision of the future, showing confidence in followers.
- **Intellectual stimulation**
Encouraging followers to look at a problem from multiple perspectives, encouraging critical thinking among followers.
- **Individualized consideration**
Promoting self-development among staff, spending time teaching and coaching staff, providing attention to individual needs.
- **Idealised attributes**
Walking the talk, show power and capability, making personal sacrifices.

There is a widely-validated survey tool called the 'Multifactor Leadership Questionnaire 5' (MLQ5X) which can be used to assess a manager's leadership style. There are also well established training interventions which can be used to encourage managers to adopt more transformational approaches to leadership. By doing this, followers are likely to feel more included and their team is likely to perform better.

Inclusive leaders make team members feel like they belong, that they are valued for their unique characteristics and can have access to top work and learning opportunities.



Relationship Building

To make people feel included, leaders need to invest time and effort in building high quality relationships with all their followers. These can be built using a three-step process:

- o **Direct exchange**

In the first stage of a relationship there is often direct exchange. Leaders set objectives and then give out rewards to followers based on the achievement of these objectives. At this stage, leaders need to set objectives which are clear, challenging but still achievable. Followers should be measured on those objectives and then rewarded for them. This is basic 'good management'.

- o **Intermediate exchange**

In this second stage, leaders engage in career-oriented exchange with their followers. This often involves leaders beginning to share information and resources which are not strictly linked to the task at hand. For instance, leaders might provide their follower with additional contacts, coaching or discuss their career goals in a way which goes beyond the present activity. Usually the follower will reciprocate with effort or resources which go beyond the immediate task.

- o **Mature exchange**

This happens when a more mature relationship grows and there is greater and more extended reciprocity between leaders and followers. At this stage leaders and followers are likely to trade reciprocal favours over a long period of time.

Research has found that inclusion tends to suffer if leaders selectively develop relationships with each of their team members. This means leaders need to ensure they put effort into developing high quality relationships with each of their direct reports and team members. There are well developed metrics which individual leaders can use to test their orientation to building relationships. One example is the 'least preferred co-worker' scale which has been used to test leaders' relationship orientation in hundreds of scientific studies. Another example is to measure leaders' social networks and track the quality of these relationships using network analysis methods. There are also established leadership training programmes which can help to increase a leader's focus on building high quality relationships within their team.

Research has found that inclusion tends to suffer if leaders selectively develop relationships with each of their team members. This means leaders need to ensure they put effort into developing high quality relationships with each of their direct reports and team members.



Matching Leadership Styles to Followers

The final thing leaders can do is to try to match their own style of leadership to the needs and demands of their followers. Within diverse groups there is likely to be a range of different needs on the part of followers. Some may look for a close personal relationship with their leader. Others may look for clear commands and direction. To create a climate of inclusion, a leader needs to ensure that there is at least some match between their own style and what their followers are looking for. They could ask themselves some of the following questions:

- **What is my preferred leadership style?**

Leaders can get a sense of this by asking themselves questions like "I feel most comfortable leading a group when I . . ." (e.g. give clear commands, develop close relationships, do the job myself, etc.)

- **What do my followers look for?**

Leaders can get a sense of this by asking their followers' questions like "To do a job to the best of your abilities you need . . ." (e.g. clear deadlines, frequent feedback, a good relationship, etc.)

- **To what extent is there a match or mismatch?**

Leaders can get a sense of this by asking themselves how close their ideas and assumptions about leadership are to their followers' ideas and assumptions about leadership.

Good leaders will often develop a range of different leadership styles which they can then adapt to their followers. Leaders will also find that over time they can encourage their followers to try out new ways of relating with them.

Good leaders will often develop a range of different leadership styles which they can then adapt to their followers.



Conclusion

Putting a great D&I strategy into practice can be difficult. To this end, firms need to create measures around diversity, provide clear motives about why it is important and build the forms of leadership and management which will support it. There are many things which firms can do over the short, medium and long term to make this happen.

Short term

Firms can encourage leaders to make very small changes to their behaviour which would make a big difference to diversity and inclusion. They can do this by (1) urging leaders to adopt a less transactional approach to leading their staff by focusing at least some of their leadership efforts in developing and engaging their followers, (2) asking questions about D&I in everyday performance feedback rather than saving D&I related issues for one annual performance review, (3) encouraging leaders to make the case for D&I real in their part of the organisation by answering the question 'what's in it for me'. All of these things could begin on a small scale and do not require expensive new systems.

Medium term

Firms could make wider changes to some of their systems. Three ways to do this include (1) creating and supporting diversity managers and task forces to motivate and hold individuals to account as well as ensuring there is specialised support for this function, (2) measuring D&I goals across the all steps of the employee lifecycle by tracking outcome at each stage on recruitment, retention and departures, and (3) providing training and developing inclusive leaders by making use of the specialised materials and expertise available on the subject.

Longer term

Firms can support D&I by changing the wider culture. Some ways this can be achieved are (1) ensuring people think about diversity as an important driver of traditional metrics such as performance when making business decisions by routinely asking questions like 'how will this allow us to harness the power of diversity' (2) creating opportunities for frequent everyday interactions among diverse groups by establishing cross functional groups and projects which bring together people who would otherwise remain in separate silos, and (3) creating a more transformational approach to leadership in the firm by recognising and rewarding leaders at all levels of the organisation. This involves inspiring followers, providing individual attention to D&I and role modelling values and inclusive behaviours.

Firms need to create measures around diversity, provide clear motives about why it is important and build the forms of leadership and management which will support it





Appendices

Appendix 1

Research Methodology

This inquiry adopted a qualitative, mixed methods approach, employing both semi-structured interviews to address the research questions and a series of focus groups with senior leaders, middle managers and those without managerial responsibility

Audit Methodology

Sample

Fifteen organisations participated in the activity audit. Firms represented included financial services, professional services, property, recruitment, engineering and construction sectors. Each was asked 14 open-ended questions about their diversity and inclusion strategy, the ways they measured progress against this strategy and the barriers to and facilitators of change. These questions were largely administered during a telephone or face-to-face interview with a senior diversity practitioner.

Data Analysis.

The analysis involved the individual examination of each audit, focusing on the kind of D&I strategies which firms had adopted, the measures associated with this D&I strategy and the barriers and facilitators of change. The results are presented as representing the overarching themes that emerged during this analysis.

Focus Group Methodology

Sample

Six focus group discussions were conducted, each lasting approximately one and a half hours. Participants were volunteers, approached through the Power of Diversity Senior Leadership Forum, and no more than one participant per organisation was in each focus group. Participants consented for the focus groups to be recorded and subsequently transcribed. Anonymity was assured, and all quotes included in the report below are anonymised. The participants in three focus groups were senior leaders (nine in one focus group, and six in each of the two other focus groups), the participants in two focus groups were middle managers (three participants in one and five in the other) and the participants in the final focus group were junior staff (seven participants). As part of the focus group process, a number of questions were posed to the participants to generate discussion. These questions were:

1. What is your organisational D&I strategy, what do you want to achieve and how do you know it is working?
2. What activities are tied to your D&I strategy, what aspects are they designed to deliver, and how?
3. What are the barriers, blockers and enablers for the implementation of your D&I strategy?
4. What would you differently around your D&I strategy if you had a blank sheet of paper and no cultural or organisational constraints?

Data Analysis

Thematic analysis was applied to the data. Deductive and inductive approaches were used to surface themes. Numeration i.e. the frequency in which a theme appears across the interview transcripts was the criterion used to pull together the final set of themes, since numeration is one way of indicating their relative importance (Smith, Flowers & Larkin, 2009).

Appendix 2

Activity Audit Result

D&I Strategy

Most Firms Had a D&I Strategy

The majority of the firms which we surveyed have formal D&I strategies. There were a small number of firms surveyed that did not have a D&I strategy. Almost all of these firms were currently looking to developing more formal D&I strategies. There was a clear recognition across our sample that having a D&I strategy was vital.

Mixed Content of D&I Strategy

The actual content of these D&I strategies was very mixed. Some firms focused on issues such as gender, ethnicity, sexuality and disability. We noted that some firms began to monitor socio-economic background more in recent years. There is no standard definition of what diversity includes and it varies dramatically across organisations. Often the specific aspects of diversity which firms focused on were shaped by specific concerns in the industry. For instance, in industries which were traditionally dominated by men, firms had focused on increasing the numbers of women who are employed by the firms. Another example is law firms which have been focused on particular concerns about retaining women following maternity leave.

D&I Strategies Often Reinvented the Wheel

The diversity strategy of many firms that we spoke to was linked with sectorial, national or international initiatives. These wider initiatives were seen as a way of avoiding 'reinventing the wheel'. These initiatives were often attractive to firms just beginning to develop a D&I strategy because it gave them a template to work from. There were a number of firms we surveyed which already had their own well developed D&I initiatives. In these cases, they were more likely to work with bespoke tools. Many of the firms which we surveyed were multinationals. This meant that they had international D&I strategies which informed

national and local D&I strategies. In a number of cases this means local D&I strategies can reflect the strategic or regulatory concerns of a multinational's home country. In other cases, multinationals can be given significant leeway in adapting global diversity policies to local concerns.

Mixed Senior Support for D&I Strategies

In the firms we surveyed, there was evidence of mixed levels of senior leader support. Most of our respondents told us that their senior leaders claimed they should be seen to be doing something about D&I issues. In some cases, senior leaders actively supported and championed D&I strategies. However, there were also many other cases where the senior leader support seemed to be largely symbolic and there were concerns that fine words were not backed up with concrete support.

D&I Strategies Plagued by Fads and Fashions

The actual D&I strategies of the firms which we looked at were extremely diverse in their content. They amounted to a list of activities rather than strategies. They included a wide range of typical components, ranging from creating networks for various under-represented groups, running unconscious bias training, offering training and talent development initiatives targeted at under-represented groups, mentoring for target groups, awareness raising initiatives, and in some cases the construction of alternative career paths.

We noted that the actual content of D&I strategies was determined partially by fads and fashions within the D&I industry. For instance, there has been a recent up-tick in the popularity of unconscious bias training. We also noted that firms with relatively new D&I strategies tended to focus on rather light-touch content such as awareness-raising. Whereas firms which had much more established D&I

strategies adopted more challenging (and arguably more impactful) D&I measures such as introducing alternative career paths that get people back on track.

'We are working on it'

When we surveyed firms, we were surprised by the number of respondents who told us 'we are working on our strategy'. This indicates to us that in some sample firms there may have been more interest in developing a strategy and less focus on actual delivery. There could be a few reasons for this. A number of the firms we spoke with were just setting out on their D&I journey. Therefore, it made sense that they were only starting to develop a strategy. Another reason is that it is usually much easier to develop a strategy on paper than to deliver changes in practice. Often this would require firms to commit resources to actually deliver on their strategies - something which can be difficult.

A Sophisticated Approach Requires Longer Term Focus

For the firms which had long established strategies, we noticed that they had already engaged in a significant amount of learning. Typically, they had concentrated on a number of key initiatives and had gone beyond symbolic changes to make meaningful changes to aspects which have a direct effect on people's work. An example of this was alternative career paths offered by some professional service firms. We also noticed that having a D&I initiative which actually makes an impact on a firm requires a longer-term commitment with significant and ongoing senior management support. When this is in place, firms can make significant progress on D&I. It is important to note that this progress is often incremental, whereby small step changes can add up to larger transformation over time.

Measurement

Vanilla Measures

Most of the organisations we surveyed had the capacity to measure organisational demographics, such as the percentage of men and women at different levels. Typically, this function is available in HR systems. However, many organisations are not willing to use it. Those that did tended to stick to 'vanilla' demographic measures such as gender and ethnicity. There was a degree of hesitance about measuring things like disability and sexuality within some firms. There were some firms that we spoke to which did not have the capacity to measure any demographic variables at all, largely because the HR systems and data simply were not available. The result is that many of the firms which we surveyed had very little idea about the demographic make-up of their firm beyond rough statistics about gender, ethnicity and age.

Balanced Scorecards

Some of the firms which we surveyed had introduced balanced scorecards to measure individual performance. These typically measured individual performance on a range of metrics with commercial goals being only one of these alongside goals associated with culture, teamwork or similar. In the banking sector for instance, balanced scorecards have been introduced following the recent wave of financial scandals in an attempt to encourage a better culture within the institutions. When we probed the firms we audited a little more about what exactly these balanced scorecards contained, we found they varied greatly based on the firm. We also noticed that measures around diversity were, at best, a tiny part of an entire assessment of performance. This means that even in firms which had introduced balanced scorecards, diversity issues paled into insignificance when compared with other goals. The reality for most of the City businesses we spoke with was that client-centric goals

continued to dominate in terms of how people's performance was assessed.

Behavioural Measures

We did notice there had been a change in the way performance was being measured in businesses in the City. Many organisations had strategies to measure the extent to which employees were complying with company values or using behavioural goals in individual appraisals. This tended to offer a broader pallet of ways that an individual's performance might be assessed. It also meant that self-serving behaviour would not be the only kind which was rewarded. However, we also found that commercial goals continued to remain absolutely central for assessing individual or team performance.

Little Link to Rewards

In a minority of cases that we looked at there was a link between small amounts of reward and behavioural or values-based goals. These would be up to a third or even a half of an individual's performance measures. Measures around D&I would typically be a part of these behavioural or values-based goals. Often these D&I goals would be articulated in vague ways.

Diversity Disappears in HR Metrics

Finally, we noted that when we asked about measures associated with D&I, there tended to be a predominance of typical HR measures. These included employee engagement or employee satisfaction scores, turnover, sick days or other HR metrics. These numbers were readily available and therefore more likely to be used. We also suspected that there was an unwillingness to add another set of metrics to the already rather crammed list of measures which many HR departments already have.

Drivers of Change

Client Demand

The first big driver for change mentioned by many firms we spoke with was client demand. Some mentioned that during the tendering process firms were looking for evidence of diversity on teams. When D&I starts to become a client requirement, people within the firm are much more likely to pay attention. This showed us that the client acquisition and procurement function is a potentially powerful way to seek to leverage progressive change. However, it can only be effective if the client actually monitors it throughout the engagement.

Senior Management Support

The second major driver of progressive change was top management support. For a D&I strategy to be developed and attract the resources it requires to succeed, top managers in an organisation need to champion it. Typically, D&I practitioners who found at least one champion in the upper echelons of management for their work tended to find the road smoothed for them. Gaining top level support tends to have a symbolic effect, showing others in the organisation that it is an important issue to which they should devote precious attention. But more importantly, it can help D&I initiatives gain resources which will help them transform from being relatively fringe initiatives which are largely ignored, to more central initiatives which make a meaningful impact within the organisation.

Accreditation Exercises

A third major driver of D&I initiatives within organisations was accreditation exercises. We were surprised by the vast number of kite marking, employer branding, awards or networks that firms which we surveyed told us they participated in. Sometimes there would be a strategic impetus behind participation, but more commonly it would be based on local interest by people within the firm or simply

wanting to be seen to be doing the right thing. When firms participate in accreditation exercises, they often have to share information like programmes, strategies or initiatives which they have internally. This can often act as a trigger to help formalise these more. Also, it can create a degree of competition between firms to improve their position. Finally, these kinds of external accreditation exercises can often be used to direct internal change. Sometimes this can be a way of showcasing good practice, but other times it can be a way of pushing along progressive change.

International Pressure

A final major driver of change which we came across was international pressures. This was particularly important in multinationals that were headquartered outside of the UK. In these cases, we saw that home country legal requirements could at times drive the adoption of more progressive D&I initiatives than were typical in the UK.

Barriers to Change

Lack of Strategy

The first barrier to significant change we came across was the lack of an established strategy. Some of the newcomers to D&I lacked a strategy. This often meant that their work on D&I was either non-existent or at best piecemeal and based on ad hoc participation in various one off initiatives or schemes. Many of the organisations which fell into this category had recently realised the importance of developing a D&I strategy and had begun the process of doing so. Having a D&I strategy in place tended to signal the issue was important and also provided some degree of co-ordination around D&I initiatives within the organisation.

HR Information Systems

A second major barrier to developing a successful D&I strategy frequently mentioned

was the lack of HR information systems that would allow a firm to monitor D&I issues. Most of the firms which we spoke with had some formal HR information systems in place. In many cases, they simply did not use them to collect data on issues which would help to monitor D&I. This could range from capturing simple demographic measures through to monitoring departmental, team or individual level performance on D&I issues. Some expressed a concern that by not being able to measure D&I, it also was impossible to manage it.

Mergers and Acquisitions

A third linked barrier to adopting progressive D&I initiatives was the effect of mergers and acquisitions and resulting lack of historical data. When firms are frequent acquirers of other small firms, they are likely to have incomplete information about D&I information in the newly acquired parts of the firm. There is also likely to be a tradition and culture within that part of the organisation which is different from the wider firm. This means that although a firm may have a well-established and progressive D&I strategy, its component parts may not. Changing this can prove to be difficult.

Lack of Senior Buy-In

A fourth barrier we noticed was buy-in from senior figures in a firm. This was a particular strong issue in firms with a partnership structure which are reliant on key high performing fee earners. Often these individuals would focus on commercial goals and, at times, see D&I initiatives as irrelevant or even an impediment to their part of the business. Because they were fairly autonomous, they had significant scope to either ignore or even resist D&I.

Tokenism

A fifth potential barrier to making D&I policies into a reality was tokenism. This often occurred in firms which had adopted some kind of D&I strategy and maybe launched a handful of

initiatives, but these had largely been symbolic in nature. When this happened, there was a significant danger that senior figures in the organisation could use this as a sign that they had done something about D&I when in fact their particular initiative had made little difference beyond creating a feel-good factor.

Industry Culture

The final major barrier we saw to progressive D&I change was the wider culture within particular industries. We noted that many organisations tend to closely monitor what their competitors do. When an entire industry does not regard D&I as an important issue, then it becomes difficult to spark change. We did notice that each of the industries which we looked at tended to have their own subtly unique approaches to D&I. Some were much more progressive than others. In some industries, D&I issues had been tackled over a decade ago. In other industries, it was a relatively new issue on the strategic agenda.

Appendix 3

Focus Groups Results

THEME 1 – Strategy

The most frequently discussed theme was around the D&I strategy, with this being a particular focus for both senior and middle managers. The more junior group were less vocal about the D&I strategy (either design or implementation), but those comments that did arise were of a similar nature to both the middle and senior group.

Leadership and Management

Senior leaders felt that whilst the D&I strategy was seen as important at a strategic level, in its own right, the more important consideration was the framing as a leadership and management issue:

“Doing all of the things we are talking about...is actually about really good management practice. If you are not bringing people up to understand what they need to do as managers and what their responsibilities are, then you will get what we have all got”

In a similar way, middle managers also felt that the strategy was actually not about D&I per se, but about the development of excellent leaders and managers:

“Think about what really good leadership looks like. Think about what I need you to do as an individual. You are a great technical expert and I need you to lead....think through that then”

The issue

Senior leaders discussed the perceived motivation behind the D&I agenda, and the often conflicting messages of the 'moral' versus 'business' reasoning for the strategic focus on D&I:

"We started our programme about it's only fair and proper that people are treated equally and there is a moral argument, but there are some people who don't see it is a moral issue and they just never will. ...there is a very firm commercial kind of business reasonso perhaps what we focus on is not just the moral thing but there's a good business reason why we need to support this"

Both middle managers and those without management responsibility echoed these thoughts, but were even more stark in the messaging – rather than 'dressing the issue up' as the right thing to do, be 'honest and clear' about the real reason, business necessity, and focus on that:

"The important thing for me is that not only is it the right thing to do but, the better performing business was arrived at by having diverse teams"

Part of the Culture

In relation to successful strategy implementation, both senior and middle managers argued strongly that D&I (being implemented for a bottom line rationale – see above) needs to become part of culture of the organisation:

"There is a piece there around embed something as part of your organisational culture, rather than it just being a strategy in isolation that gets delivered"

Finally, a theme that only emerged for middle managers was the need for a simple and well-articulated strategy. Regardless of the metrics used (or not used) the opinion was that for this group, who perceive themselves as responsible for the strategy implementation, the key word is simplicity:

"We over-complicate everything. We use the strategy word. People think that everything has to be really complex, really kind of hugely aspirational. So they never feel that they are really actually getting anywhere"

THEME 2 – Organisational Culture

The second theme that emerged was the role of organisational culture (both positive and negative) in shaping the diversity of the workforce. For middle managers and those without management responsibility this was a very important issue, and whilst senior managers did raise the topic, it was often in reference to an anecdote, rather than as their lived experience. For middle managers and their junior colleagues, the topic was very much their own reality.

Disconnections

Both middle managers and those without line management responsibility discussed the disconnect between the articulated strategy at senior level, and the perceived actions of those senior leaders, or perhaps more importantly, the passive acceptance of unacceptable behaviour by others. In addition, junior colleagues felt that the relationship between the operation of the strategy (e.g. sponsoring external events such as the Pride Parade) and the expected internal change in the organisation (e.g. a more diverse and inclusive workforce) was poorly articulated (if at all):

"I do feel there is a disconnect....when it comes to seeing what the impact of that stuff looks like and, great I can walk in a Pride Parade....but really what is that making a difference to the way we hire people, the way we manage people or the way we account for different environments in the organisation. That isn't necessarily as clear"

Systemic

The nature of D&I as a systemic issue was raised by both senior and middle managers, with both groups understanding the urgency and yet the complexity of the issues:

"...a much more fundamental, still systemic issue, that if we don't solve very soon....we are going to struggle to attract....types of people that just feel completely alien within the organisation in which they work"

Organisational Toxicity

All three groups of participants articulated the role that culture can play in holding back the development of a diverse and inclusive workforce. For this subtheme, the focus was on both the role of senior leaders in both setting the accepted 'tone' and accepting change, and the insidious nature of a toxic culture:

"....one of our female grads said that when she joined as a graduate she never even thought about gender diversity being an issue....she and the guys that joined felt that gender would have nothing to do with progression....within five or six years....the blokes were mimicking the behaviours or the attitudes of some of the middle management, so even her peer group were looking at her in a different way"

THEME 3 – Education

Whilst all three groups felt that education (formal and/or informal) was critical in the longer term to ensure D&I in the workforce, it was only the more junior members of staff (predominantly Gen Y), who articulated the importance of generational perceptions, expectations and perspectives.

Generational Effects

Those individuals without management responsibility, who were predominantly Gen Y, spoke passionately about the importance of recognising and understanding generational differences in the workplace, and how this relates to the D&I agenda. Whilst it was accepted that generational differences were not all pervading, there was a consensus that exposure to a global economy, and the advancement of technology meant that D&I was no longer a 'nice to have':

"For our generation, it is arguably now a 'need to have' flexible working conditions, we are actively joining an organisation or choosing based on things like if there is a flexible working policy"

Schooling

The importance of addressing the need for diversity in the talent pipeline through school and other outreach activities (including apprentice schemes) was a subtheme common across all three groups. Many organisations reported to be active in this space, and these initiatives were seen to be critical for longevity, both in terms of educating individuals about possible careers (awareness raising), and through breaking gender and other diversity stereotypes in career choice:

"...there is no point saying 'we need 30% of our board to be women' because all we are doing is stealing eligible women off other companies, or off each other. I think that we need to work on the opposite and actually work together as an industry....to actually change the number of people wanting to come in to business"

THEME 4 – Senior Leadership

The importance of senior leadership in the success of the Diversity and Inclusion strategy was raised in the themes of strategy and of culture. However, the visibility and approachability of senior leaders also emerged as a theme in its own right, and was a topic of particular concern to the more junior participants who felt least able to influence senior leaders but were most affected by their behaviours and decisions.

Visibility

All three groups of participants were consistent in their message regarding the importance of senior leaders visibly (and consistently) championing the Diversity and Inclusion agenda:

“It has got to get in to the board room, hasn't it? These things start in the middle somewhere, but, until you actually get the board room to regard it as an issue....nothing will happen”

Leadership Openness

Not surprisingly, the importance of senior leaders being both approachable and open to dialogue was a topic raised only by middle managers and those without management responsibility. It was those 'furthest away' from the senior team (junior staff) who often felt unheard or 'shut down', who were the most passionate about the need to create and maintain an open, two-way dialogue with leaders in their organisation:

“I have had this personal experience in my company where you come forward with something and they say ‘Whoa! No, no, no, we can't do this!’ And that is the end of the discussion. Whereas a group of us think that this is good for the organisation, this is going to help.... Bring down the barrier between senior management and us and allow us to have that channel of communication where they understand where we are coming from....I think that is something that is really important.”

THEME 5 – Accountability

The theme of accountability was of particular interest to the senior leaders, who argued that there was a lack of accountability coupled with a lack of empowerment at the middle manager layer of the organisation. Middle managers also, from their own lived experience, agreed that empowerment of line managers was critical for the implementation of the strategy.

Transparency

For senior leaders, those organisations that both tied the D&I strategy to business objectives and had a transparency around the 'owner' of these objectives, were the most successful. The importance of performance objectives as critical for success was echoed by those without management responsibility:

"...if it is part of somebody's performance objectives and if it is written into how we should perform as an organisation and not just about how much money we can make"

Role of the Middle Manager

The importance of the middle manager for strategy implementation was also raised in the superordinate theme of strategy in the subtheme of leadership and management, but here the focus is on the importance of middle managers in both operationalising and delivering the strategy. Both senior leaders and middle managers agree that successful implementation lies with the middle managers, but that success requires ownership and empowerment:

"Whether you're trying to disseminate a business strategy, a D&I strategy, people priorities, whatever it is, you'll get passion and enthusiasm from the C suite because they want this. And they can and they do because they want to see it happen. You generally then get the other end of the organisation are equally as passionate and want it to happen because they are the recipients of the benefit of that. And then you have got the management layer in the middle who are trying to stick with their day job, they are trying to be accountable for whatever they need to do and therefore this agenda feels additive, and therefore they can't act upon it."

THEME 6 – Business Case

The moral versus business case for a D&I strategy, covered in the strategy theme, was considered important by all three groups of participants. In this superordinate theme, the business case was raised again, this time focusing on 'what is the business case?' Those individuals who may be more frequently exposed to client conversations (senior leaders and middle managers) focused on the increasing demands from clients for a diverse 'pitch team' in business development, whereas all three groups understood the need to build organisational capability after a recession and the scarcity of human capital.

Client Demands

A very consistent message, from both senior and middle managers was that often the need for a D&I policy at an organisational level was in direct response to short-term client demands, client feedback or longer-term client engagement:

"It's coming from clients, particularly US clients who are demanding if you turn up with a white middle class pitch team you might as well not walk through the door"

Talent Scarcity

As discussed above, all three groups of individuals understood that emerging from a recession, and the subsequent rebuilding of the talent pipeline with a scarcity of talent resource, has led organisations to think a little differently about their recruitment and retention policies as well as their job profiles:

"...there's just not enough people with the right skills, so for business to be effective we need to be driven to look at alternative groups....in order to be competitive in business we need to be working with other groups as well."

THEME 7 – Resourcing

The final theme, and surprisingly, the theme discussed the least frequently, was the importance of resourcing to deliver the strategy. It is critical to note that organisational culture and strategy are seen as more critical enablers or blockers to successful implementation than resourcing. Nonetheless, the need for adequate resources was raised, by the two groups who have little or no control over budget prioritisation, the middle managers and junior colleagues.

Resourcing Constraints

Budgetary constraints, and in particular, the need to justify every action around D&I activity was seen as a message to the wider organisation that this is a 'nice to have' rather than a business necessity:

“It is really just combined personal interest, rather than any central directive that is where we want to go; which is why I am struggling to get a budget”

Political Climate

Whilst only touched on by one or two participants, the political landscape cannot be ignored, and the impact of Brexit, and the US political arena may influence both the resourcing and prioritisation (or lack of) of D&I activities in the future, reinforcing the 'nice to have' rather than it being both part of the DNA of the business and a critical business imperative.

“...he said ‘If there does continue to be an uphill struggle after Brexit, it is more difficult to justify the reasoning behind the benefits of these groups’”

Appendix 4: Diversity and Inclusion Activities Discussed in Focus Group

- Mentoring and reverse mentoring
- Unconscious bias training
- Deliberately inclusive recruitment processes
- Initiatives around appropriate business language
- School visits
- LGBT Networks
- Women Networks
- Role Models (Senior and Junior)
- Storytelling
- Global D&I days
- Internal labour mapping (inflow, outflow, upflow)
- Exit interviews
- Cultural interviews
- Apprentice schemes
- Blind CVs (removal of identifying features)
- Return to work schemes
- Sponsoring events and conferences
- Graduate programmes

Appendix 5: Measuring Inclusive Climate

According to Cornell's Lisa Nishii, an inclusive workplace climate is made up of three aspects: equitable employment practices, recognition of difference and inclusion in decision-making. It can be measured using the following questions, using a Likert scale (1-5 or 1-7)

1. Equitable Employment Practices
 - a This (unit) has a fair promotion process
 - b The performance review process is fair in this (unit)
 - c This (unit) invest in the development of all its employees
 - d Employees in this (unit) receive 'equal pay for equal work'
 - e This (unit) provides safe ways for employees to voice their grievances
2. Integration of differences
 - a This (unit) is characterized by a non-threatening environment in which people can reveal their 'true' selves
 - b This (unit) values work-life balance
 - c This (unit) commits resources to ensuring that employees are able to resolve conflicts effectively
 - d Employees in this (unit) are valued for who they are as people, not just the jobs that they fill
 - e In this (unit), people often share and learn about one another as people
 - f This (unit) has a culture in which employees appreciate the difference that people bring to the workplace
3. Inclusion in decision making
 - a In this (unit), employees input is actively sought
 - b In this (unit), everyone's insights are used to rethink or redefine work practices
 - c Top management exercises the belief that problem-solving is improved when input from different roles, ranks, and functions is considered.

Appendix 6:

Some Examples of the Components of Inclusive Leadership

Deloitte

1. Commitment – articulates personal values; shows belief in business case
2. Courage – Displays humility; Shows bravery
3. Cognizance of bias – Has a sense of fair play; Effective self regulation
4. Curiosity – Openness to new experiences; Is able to take different perspectives; Can cope with ambiguity
5. Cultural Intelligence – Driven; knowledge of different cultures; adaptable to different cultures
6. Collaboration – Empowers team members; Invests time in developing a group; Allows employees space to voice concerns

ENEI

1. Individualised Consideration – showing individual interest and offering one-to-one support for people
2. Idealised Influence – providing an appealing vision that inspires others
3. Inspirational Motivation- encouraging others to develop ideas and to be challenging
4. Intellectual Stimulation- encouraging creative thinking
5. Unqualified Acceptance – showing acceptance of everyone without bias
6. Empathy – being able to appreciate the perspective of others and endeavouring to understand how others feel
7. Listening – truly listening to the opinions of others
8. Persuasion – having an influence on people's actions without force or coercion
9. Confidence-Building – providing positive feedback to boost people's self-efficacy
10. Growth – providing opportunities for all employees to realise potential, make autonomous and unique contributions and progress with the organisation
11. Foresight – being able to consider the views of others about possible outcomes
12. Conceptualisation – being able to focus on how employees contribute to long-term objectives
13. Awareness – having self-awareness of how preconceived views can influence behaviour towards others
14. Stewardship – showing a commitment to leading by serving others for the good of everyone rather than for self-gain
15. Healing – showing a respect for the wellbeing of all employees

Catalyst

1. Empowerment. Enables direct reports to excel
2. Accountability. Hold followers responsible for performance
3. Humility. Admits mistakes, learns from others, acknowledges others contribution
4. Courage. Acting on basis of values / conviction

Centre for Talent Innovation

1. Ensuring that team members speak up and are heard;
2. Makes it safe to propose novel ideas;
3. Empowers team members to make decisions;
4. Takes advice and implements feedback;
5. Gives actionable feedback;
6. Shares credit for team success.

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Prepared for Power of Diversity Forum
May 2017

