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From diversity to inclusion

The world has become highly diverse, but many companies have not—especially when it comes to combining diversity with the inclusive culture needed to truly drive value.

WRITTEN BY

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- ▼ Many organizations promote diversity while struggling to fully leverage the business benefits of a diverse workforce.
- ▼ Nearly one-third of respondents to the Human Capital Trends global survey say they are unprepared in this area, while only 20 percent claim to be fully “ready.”
- ▼ In a recent study, 61 percent of employees report they are “covering” on some personal dimension (appearance, affiliation, advocacy, association)¹ to assimilate in their organization.²

- v Leading companies are working to build not just a diverse workforce, but inclusive workplaces, enabling them to transform diversity programs from a compliance obligation to a business strategy.

In 2014, promoting diversity is an expected commitment; like workforce safety, it's now a ticket to play. And while unwavering support is claimed, far fewer organizations can talk to the benefits of diversity beyond the attraction of talent and reputation. Why is that? Surely a focus on diversity is the way to uncover and optimize talent? Is it focus, effort, a failure to move diversity from the fringe to the center, or level of difficulty?

One clear factor, according to our global survey, is that only one company in five (20 percent) believes it is fully “ready” to address this issue. The gap between the urgency of this trend and companies’ readiness to address it is particularly wide in Japan, South Africa, and China (figure 1).



Why are so many companies falling short? One view is that many companies still treat diversity primarily as a matter of compliance—a regulatory box to be checked. Not enough organizations take the next essential steps of creating a work environment that promotes inclusion in all its variations. Taking a step back from individual organizations to a more country-based analysis, we can see that most countries do not have a strong sense of readiness and most hover around a medium sense of urgency.

Using this lens, we see two major themes emerging that can help companies transition from simply meeting minimum regulatory requirements for diversity to building an inclusive workplace that inspires all employees to perform at their highest level:

1. Diversity of thinking as a business imperative
2. A focus on inclusion as well as diversity itself

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Diversity of thinking as a business imperative

Organizations can start by broadening their understanding of diversity to focus not only on the visible aspects of diversity, such as race, gender, age, and physical ability, but also diversity of thinking. This means deriving value from people's different perspectives on problems and different ways to address solutions. It's a complex world, it's a global world, and maximal participation is required from every workplace participant from the bottom to the top. Thinking of diversity in this way helps organizations to see value and to be conscious of the risk associated with homogeneity, especially in senior decision makers. And this means that diversity is no longer a "program" to be managed—it is a business imperative.

Uncovering talent: A new model of inclusion³

An importance advance in thinking about inclusion is the recent work on "uncovering talent" from Kenji Yoshino, at NYU Law School, and Christie Smith, the head of Deloitte University's Leadership Center for Inclusion. Their research suggests that current inclusion initiatives often implement formal inclusion (that is, "participation") without recognizing how that inclusion is predicated on assimilation. In response to pressures to assimilate, individuals downplay their differences. This behavior is referred to as "covering" and can include how individuals behave along four dimensions:

- ✓ **Appearance:** Individuals may blend into the mainstream through their self-presentation, including grooming, attire, and mannerisms.
- ✓ **Affiliation:** Individuals may avoid behaviors widely associated with their identity, culture, or group.
- ✓ **Advocacy:** Individuals may avoid engaging in advocacy on behalf of their group.

- ▼ **Association:** Individuals may avoid associating with individuals in their own group.⁴

Yoshino and Smith's research reports that covering behaviors are widespread, costly to individuals and their organizations, and often misaligned with values of inclusion. Organizations should be interested in covering not because they are "playing defense" against lawsuits, but because they are "playing offense" to create a more inclusive culture over and above legal compliance. Most Fortune 500 companies are seeking to create that kind of culture.

Linking diversity of thinking and inclusion

Bringing these two themes together—diversity of thinking and inclusion—we suggest that organizations consider the importance of diversity when it comes to meeting specific business objectives:

- ▼ **Accessing top talent:** Companies should recruit top people from a globally diverse workforce. The importance of leadership pipelines, the No. 1 priority in our global trends survey, underscores the importance of broadening leadership pipelines and accelerating the development of diverse leaders. Given the transparency of the employment "brand" today, in order to attract the best people, organizations must create a diverse workplace. When candidates research a prospective employer online, interact as customers, or interview with the company, they have to feel as if they would "fit" into the work environment.
- ▼ **Driving performance and innovation:** A significant body of research shows that diverse teams are more innovative and perform at higher levels.⁵ Companies that build diversity and inclusion into their teams reap the benefits of new ideas, more debate and, ultimately, better business decisions.
- ▼ **Retaining key employees:** One reason people leave organizations is that they feel they no longer "belong." Or perhaps they feel they will "belong" and thrive in another organization that appreciates their unique value. A company that fails to create a diverse and inclusive workplace risks alienating or excluding key employees, who are then more

likely to disengage or eventually leave the organization.

- ▼ **Understanding customers:** There's a thin line between customers and employees, with current and former employees purchasing their companies' products and services, acting as advocates, and sensing customer needs. How better to understand and respond to diverse customer needs than by tapping into diverse employees? From where we sit, this is one of the most significant gaps in the diversity story, with the breadth of ideas and experiences from a more diverse front line falling by the wayside as decisions are made by more distant, homogenous teams that sometimes fail to fully include diverse perspectives. In a broad range of industries—including retail, hospitality, food service, oil and gas, insurance, and even banking—a diverse workforce creates opportunities to appeal to a more diverse customer base.⁶

Diversity is the measure: Inclusion is the mechanism

What this all adds up to is that high-performing organizations recognize that the aim of diversity is not just meeting compliance targets, but tapping into the diverse perspectives and approaches each individual employee brings to the workplace. Moving beyond diversity to focus on inclusion as well requires companies to examine how fully the organization embraces new ideas, accommodates different styles of thinking (such as whether a person is an introvert or an extrovert), creates a more flexible work environment, enables people to connect and collaborate, and encourages different types of leaders.

While nearly one-quarter of executives (23 percent) believe their companies have done an “excellent” job creating a culture of inclusiveness, and defining what it means (24 percent), the overwhelming majority rate their effort as “adequate” or “weak.” Clearly, there is much more to be done to turn the vision of diversity and inclusion into a daily reality (figure 2). Much more than a focus on programs, this effort needs to focus on cultural change: behaviors, systems and symbols, and an explicit understanding of the extent and causes of “covering” in organizations.



Research by Deloitte Australia shows that high-performing organizations are characterized by

their commitment to diversity and a culture of inclusion. In the areas of customer service, innovation, safety, and more, the message from employees is the same: Organizations that support diversity and that also make employees feel included are much more likely to meet business goals than those organizations that focus on diversity and inclusion in isolation (or focus on neither).⁷ The question is, how do you get there?

One essential component of building a strategy of inclusion is recognizing the biases in the way each of us receives and processes information and the historical biases in our systems of work.⁸ Addressing these processing biases is critical because leaders—as they themselves feel high levels of inclusion—often do not understand levels of alienation in an organization. Given the critical importance of retention in our survey, inclusion becomes a key strategy for success.

LESSONS FROM THE FRONT LINES

ADOPTING DIVERSITY AND INCLUSION TO SOLVE A DEMOGRAPHIC MISMATCH

BHP Billiton's marketing division was highly diverse in terms of gender and ethnicity in non-executive positions, but there was a demographic mismatch between the global talent pool and the company's senior team.⁹

Mike Henry, the president of health, safety, environment, and community, marketing, and technology, observed this misalignment. He concluded that the only reasonable explanation was an unconscious bias within the organization and a tendency to do things as they had always been done—particularly the fact that leading talent was primarily sourced from BHP Billiton's traditional hiring bases in Australia, the United Kingdom, North America, South Africa, and the Netherlands.

Following the closure of BHP Billiton's marketing office in The Hague—a traditional hub for recruiting and developing marketing executives—Henry decided to take action to prevent narrowing the leadership pipeline even further.

With strong support from the CEO, Henry began seeking out broad-based leadership engagement and took steps to understand BHP's unconscious biases. He led by example, taking the Harvard Implicit Association Test and sharing the results with his team. He aimed to prove his commitment to diversity and inclusion and show that he could only mitigate his own unconscious biases by being aware of them first.

Next, Henry had BHP Billiton's marketing organization conduct an inclusive leadership program for its top 150 leaders, which included measuring perceptions on diversity and inclusion. The program involved interactive workshops, storytelling, videos, self-paced activities, homework, coaching, and reading, all designed to help leaders shift their mindsets and behaviors. And it broadened the conversation from one about diversity to one about diversity and inclusion, from demographics to diversity of thinking, and from compliance to business imperative. To help take this from a program to a sustained focus of attention, Henry appointed a full-time diversity and inclusion manager to implement change. During a time of downsizing, this was a potent symbol of the value he placed on diversity and inclusion.

These steps yielded several notable results. Nine months after the first leadership intervention, 88–94 percent of leaders reported that they understood what they needed to do, that they had changed their behaviors, and that they knew they were accountable for change. Critically, 72–76 percent of staff agreed that their leaders were behaving differently—that is, more respectfully and inclusively—and that their teams were now more collaborative. In 2013, the program was expanded to include all leaders and all staff, which was a huge investment of time and energy. Mindsets have shifted, and while employee statistics have been slow to change, the 2013 results of BHP Billiton's marketing organization's annual "inclusion index" diagnostic reveal that representation of women and talent from outside the companies' traditional hiring bases has increased at leadership levels—a trend that has continued year on year since the first diagnostic was run in 2011.

WHERE COMPANIES CAN START

Many organizations have not put enough effort into understanding what makes people feel included. Do employees feel they are known and valued as individuals? Are they well-connected

to other people in the organization? Are they given a voice in decision making? Is there an understanding of the types and extent of covering in the organization (appearance, affiliation, advocacy, association)? In addition to examining these fundamental questions, companies looking to build a more inclusive workplace should consider the following steps:¹⁰

- ▼ **Create inclusion labs to help educate leaders about unconscious bias and covering behaviors:** Encourage leaders to honor other people's opinions and promote constructive debate. Understand covering biases and behaviors and approaches to changing them. Leadership drives inclusion; the process should start at the top.
- ▼ **Embed diversity and inclusion in leadership pipelines and programs:** Include the diversity and inclusion initiative in leadership development programs, new manager programs, and talent acquisition programs. Give particular focus to supporting diversity of thinking—for instance, by selecting people from diverse backgrounds for leadership development.
- ▼ **Conduct a gap analysis of talent systems and processes:** How is the principle of merit-based decision making transparently embedded into systems, from recruitment, remuneration, and training to career development opportunities and succession? Review the outputs of these decisions in terms of equity, such as via a pay equity audit.
- ▼ **Develop a diversity and inclusion scorecard and measure business impact:** Hold leaders and managers accountable and identify outliers in the diversity and inclusion initiative.
- ▼ **Install governance and resource the effort appropriately:** Create a council with representatives from different parts of the business that is properly resourced to be a change agent.

BOTTOM LINE

Diversity is not a program or a marketing campaign to recruit staff. Thinking of diversity in this way relegates it to its compliance-driven origins. A diverse workforce is a company's lifeblood, and diverse perspectives and approaches are the only means of solving complex and challenging business issues. Deriving the value of diversity means uncovering all talent, and that means creating a workplace characterized by inclusion. Our research shows that most organizations are not there yet, but change is in the wind, and market leaders are starting to move from compliance to inclusion as a business strategy.

Endnotes

[View all endnotes](#) **S**

1. Kenji Yoshino and Christie Smith, *Uncovering talent: A new model of inclusion*, Deloitte Development LLC, December 6, 2013, http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_LLC_Deloitte_UncoveringTalent_121713.pdf. [Back to article](#)

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