Inclusive Culture: The Foundation for D&I Success

The business case for diversity is clear. Organizations with a more diverse workforce have shown improved customer retention, greater profitability, greater talent retention, and faster innovation. For these reasons, organizational diversity has come to be regarded as 'best practice' by the investment community. This is evidenced by the growing chorus of investors calling for greater prominence of historically underrepresented groups. Importantly, the conversation has turned from a focus on diversity alone, to an embrace of inclusion as the key to unlocking the benefits of a broadly representative constituency.

Even with the wide recognition that diversity and inclusion (D&I) are vital to economic success, we still see many firms struggling to make significant progress. We applaud companies that are embracing diversity and inclusion programs that are outcome-oriented, with measurable and trackable KPIs. Initiatives like these have met with success[1], but we argue that much more needs to be done, not only to improve firm diversity profiles, but to leverage the key benefits of a diverse workforce. Enter the power of culture.

In a 2018 Harvard Business Review article[2], the authors synthesized an array of scholarly work on culture ultimately pointing to four key attributes: culture is shared, pervasive, enduring, and implicit. Taken together, these attributes point to a group experience that permeates all levels of an organization, revealing itself in both spoken and unspoken ways. It is self-reinforcing and, importantly, 'people are hardwired to recognize it and respond to it instinctually'. As illustrated in another, more recent study of tech firms by *Harvard Business Review*[3], disagreement on cultural norms reduces organizational efficiency (as measured by ROI), while firms with employees who anchor on a shared vision of cultural diversity produced more and higher-quality intellectual property.

The quiet but exceptionally powerful force that is 'culture' can be harnessed for positive effect by the right leadership. We believe that culture has the power to propel a company toward success in a way that would not be possible with strategy alone. We argue that culture –specifically one which promotes an inclusive environment – can be a bridge between D&I aspirations and tangible results, by working to transform, then maintain, and even accelerate the benefits of diversity.

An inclusive culture is often associated with purpose-led work, or environments in which teamwork and consensus are prized. While these associations are often true, we would characterize it a little differently: the inclusive culture that we advocate is one in which all employees believe that their input and ideas are valued; that their views matter. A truly inclusive culture actively rejects 'group think' and is not only comfortable with dissent but requires it. It is necessarily a culture in which there exists a high level of trust. In an ironic twist, diversity itself may present barriers to trust (e.g. it may be

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[1] BCG Global Gender Diversity Survey, 2017

[2] 'The Leader's Guide to Corporate Culture', *Harvard Business Review*, January-February 2018

[3] 'The New Analytics of Culture', *Harvard Business Review*, January-February 2020

difficult for Millennials to trust Gen-Xers), but it is the allegiance to the higher cultural imperative of inclusion that can effectively overcome trust issues.

Culture and leadership are inextricably linked, which is why leadership must play a key role in D&I efforts. To capture viewpoints in a way that is productive and harness insights such that they are additive, leaders must tap into differing perspectives and ideas, draw them out, leverage them. But even within an inclusive culture there is still a need for clear decision making! One of the most significant leadership challenges in inclusive cultures is knowing when to halt discussion and move to execution.

While a handful of firms may already have an inclusive culture, most do not, so the task at hand becomes one of transformation – how can leaders drive transition to an inclusive culture? An important starting point is to simply recognize that culture cannot be mandated but it *can* be modeled. In our experience, the following modeled behaviors have worked to foster an inclusive culture:

- Leaders regularly articulating the economic benefits of diversity and inclusion as the remedy to 'group think'. Making this language a recognizable part of communication has a powerful signaling effect.

    o During the interviewing/hiring process it both establishes cultural expectations and works to attract candidates explicitly seeking inclusivity

    o As a part of regular team meetings or even meetings with external participants, reinforcing the economic motivation for D&I works to set intentions and focus activity

- Leaders actively seeking a variety of perspectives for their decision making. This is not for the faint of heart as it will often mean considering input that is contrary to their own thinking or otherwise 'inconvenient'. This particular behavior feels especially dangerous to middle managers – acknowledging this and creating a framework for idea gathering can be helpful.

- Providing career advancement opportunities for those who model inclusivity, acknowledging that people respond to incentives

- 'Premeditated D&I' is critical – purposefully seeking heterogeneity when forming teams, asking employees to stray from their traditional comfort zones (e.g. a more introverted person being asked to lead a meeting), rotating the responsibility to play 'Devil's Advocate', even quasi-social encounters that have the intention of bringing people from disparate groups together all represent ways that organizations can *plan for* diversity and inclusion.

- Finally, leaders should model inclusivity for all. On the surface this seems redundant, but our experience is that 'inclusivity' can quickly turn into 'exclusivity' without strong leadership.

In sum, the inclusive culture we describe here welcomes –even requires – diversity of thought. As a result, D&I initiatives are experienced as an extension of culture, as opposed to something happening in parallel, making them more likely to achieve their desired outcomes.

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