Perspectives

Employee insights on inclusion and diversity

Implications for human capital management

Employee insights on inclusion and diversity

Diversity is the extent to which differences in personal identities and backgrounds are represented in the organization. Depending on the organization, and what is legal and customary in the geographical location, differences to consider include gender or gender identity, race or ethnicity, sexual orientation, prior military service, disability status, religious affiliation, cognitive style and educational background. Diversity as such is best measured by assessing the proportions of these demographic groups relative to the overall talent pool as well as within pivotal roles and the management ranks.

Diversity: the new normal

The World Economic Forum warned in its 2016 *Global Risks Report* that the pace of change in technology and the shifting demographics of talent pose widespread risks to doing business. Certainly, employers everywhere can help mitigate these risks, even as the world of work is relentlessly transformed. A hallmark of these global trends is the increasing diversity of the workforce. While not a new phenomenon, diversity is predicted to grow exponentially over the next several years, bringing the topic to the forefront of global human capital agendas.

Business leaders often approach diversity as a problem to solve. Talent gaps, attrition and litigation are primary risks when organizations fail to comply with mandates for fairness in hiring, advancement and pay. However, leaders are now catching on to the realization that diversity is also a ripe business opportunity.

Talent practitioners have known for some time that crafting a meaningful employee value proposition (EVP) — a set of rewards and work environments aligned with employees' changing needs and preferences — leads to greater employee engagement, which is itself part of a virtuous business cycle yielding greater organizational performance. If diversity is a feature of the new work world, the EVP will need to evolve accordingly.

The new research we present here suggests that out of myriad elements of work experience and organizational functioning, managing diversity well is one of the most impactful steps leaders can take to demonstrate their effectiveness and drive employee engagement. What does it take to manage diversity well? Inclusion.

In our experience helping clients with talent management, inclusion and diversity (I&D) success stories usually begin when executive leaders push beyond the compliance imperative and

work to embed inclusion throughout the entire human capital system and within the workplace itself. Our new research shows that leaders across varying industries and geographies can drive inclusiveness by privileging dialogue, strong working relationships among employees and robust career opportunities. At the same time, specific inclusion drivers often vary by company and across demographics. As such, understanding opportunities for improvement requires a deeper analysis of employee experiences across an organization's workforce segments. Our paper outlines strategies for addressing the broad foundations and idiosyncrasies of the current I&D landscape as well as suggested road maps for organizations at different stages of the inclusion journey.

Inclusion is the extent to which employees have the opportunity for an equitable experience at work, regardless of their personal identities, backgrounds or work styles. The elements of an inclusive culture include a respectful environment where employees can be accepted for who they are, experience unbiased day-to-day interactions with peers and freely access opportunities to grow and achieve.

Inclusion and diversity: impactful if inseparable

I&D consulting often focuses on the beginning of the inclusion journey, i.e., building diversity. Success depends on how extensively a company recruits, promotes and partners with people with diverse identities and demographic backgrounds. As one example, DiversityInc, a publisher focusing on the business benefits of diversity, creates an annual list of the 50 most diverse companies by looking at the makeup of each organization's talent pipeline, leadership commitment and supplier diversity.

Many organizations have publicly pledged to better recruit, retain and develop diverse individuals in their workplaces, as more evidence suggests that solving the diversity "problem" is now a bottom-line priority. Organizations such as Catalyst (in its 2014 *Diversity Matters* report) cite business benefits of increased diversity that include improved financial performance, leveraged talent, improved reputation and increased innovation. McKinsey, in a 2015 study also entitled *Diversity Matters,* found a statistically significant relationship between more diverse leadership (defined as leadership teams that had more gender, racial and ethnic diversity) and better financial performance in 366 companies. Its *Power of Parity* report published that same year claimed that advancing women's equality could add $12 billion in growth to the global economy.

Willis Towers Watson Global Gender Inclusion Study

The Global Gender Inclusion Study assessed the link between inclusion, diversity and engagement in a survey database of 350,000 employees across 27 global companies. The 27 companies studied are diverse in organizational size and represent a wide array of geographic regions and industry sectors. Industries include telecommunications, pharmaceuticals, retail, education, waste management, engineering, chemicals, real estate, insurance and brokerage, natural resources, utilities, global media, marketing, food services, technology, aerospace, commercial and investment banking, and professional services. While race, ethnicity, sexual orientation, cognitive styles and educational background (among others) are all important aspects of diversity, our study focused on gender as the one ubiquitous human difference that is consistently coded in our employee surveys. Data studied are from the Willis Towers Watson 2014 Employee Insights Norm Database.
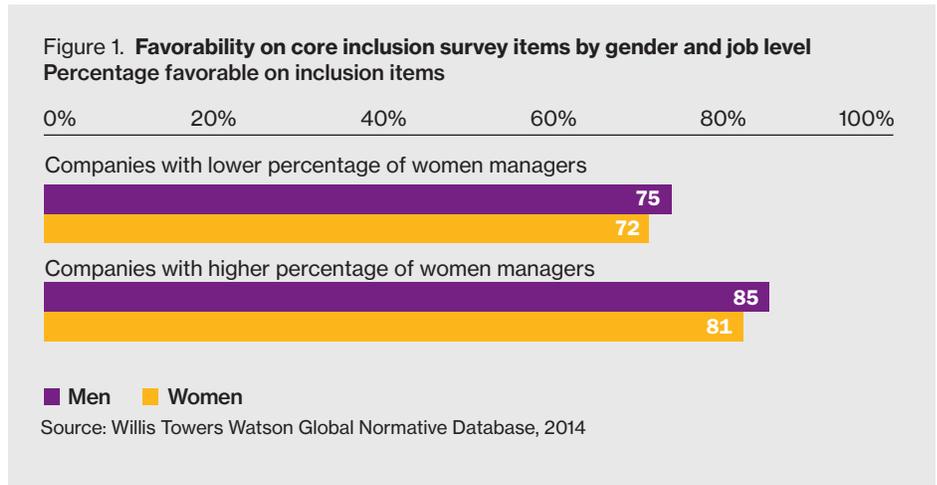
The first step of increasing diversity is obviously important, but as many researchers and practitioners have observed, it is insufficient for reaping the touted benefits of varied perspectives and backgrounds. More comprehensive efforts are needed to create a culture in which all employees feel that they truly belong and are free to contribute their talents and achieve their personal goals at work. Put simply, diversity loses its power without inclusion.

The Willis Towers Watson Global Gender Inclusion Study sought to test this claim via a better understanding of the relationship between diversity, employee perceptions of inclusion and employee engagement, an outcome linked to improved company performance. We studied a data set of 350,000 survey respondents across 27 global companies within our employee opinion database. The findings suggest that diverse environments don't automatically bridge gaps in how different employees experience inclusion at work. On average, 70 percent of employees agreed that their companies support diversity, offer equal opportunity and feature an environment that accepts differences. However, women viewed inclusion less favorably than men, even within companies that could boast higher percentages of female managers. In addition, a number of companies with higher inclusion scores had weaker gender diversity.

Figure 1 illustrates that even when there is more diversity, individuals may still feel less included, especially if they are members of a historically excluded or minority group, as women are today in many workplaces. At the same time, minorities may experience inclusive treatment even as their employers struggle to develop diverse talent pipelines. In other words, beyond the average percentage favorable score on inclusion the ways in which organizations experience the gap between diversity and an inclusive culture are likely as varied as the organizations themselves.

Building a diverse and inclusive culture is a journey of many steps, but the payoff is clear: increased engagement and performance. Driver analysis across the data demonstrated that employees who viewed the inclusion items shown in Figure 2 more favorably were among the most likely to rate their senior leaders favorably. This is an important revelation, as our global research (notably our Global Workforce Studies from 2014 and 2016) has demonstrated

Figure 1. **Favorability on core inclusion survey items by gender and job level**
Percentage favorable on inclusion items

Companies with lower percentage of women managers: Men 75, Women 72

Companies with higher percentage of women managers: Men 85, Women 81

■ Men   ■ Women

Source: Willis Towers Watson Global Normative Database, 2014

that leadership effectiveness is the most common driver of sustainable engagement, which in turn has proven links to company performance. In other words, inclusion has an indirect but strong link to leadership effectiveness, engagement and performance that solidifies the business case for inclusion into an organization's broadest human capital strategy.

Crafting an inclusive environment requires attention to equity and fairness on a systemwide level. Inclusion

cannot happen without equitable hiring and promotion policies, often in compliance with laws and regulations. At the same time, because inclusion is a cultural objective, leading culture change first and foremost means leading by example. An obvious but nonetheless impactful practice is for every leader to model fairness, respect and the value of differences in everyday interactions. Beyond these personal and programmatic basics, however, what can leaders do to build a culture of inclusion?
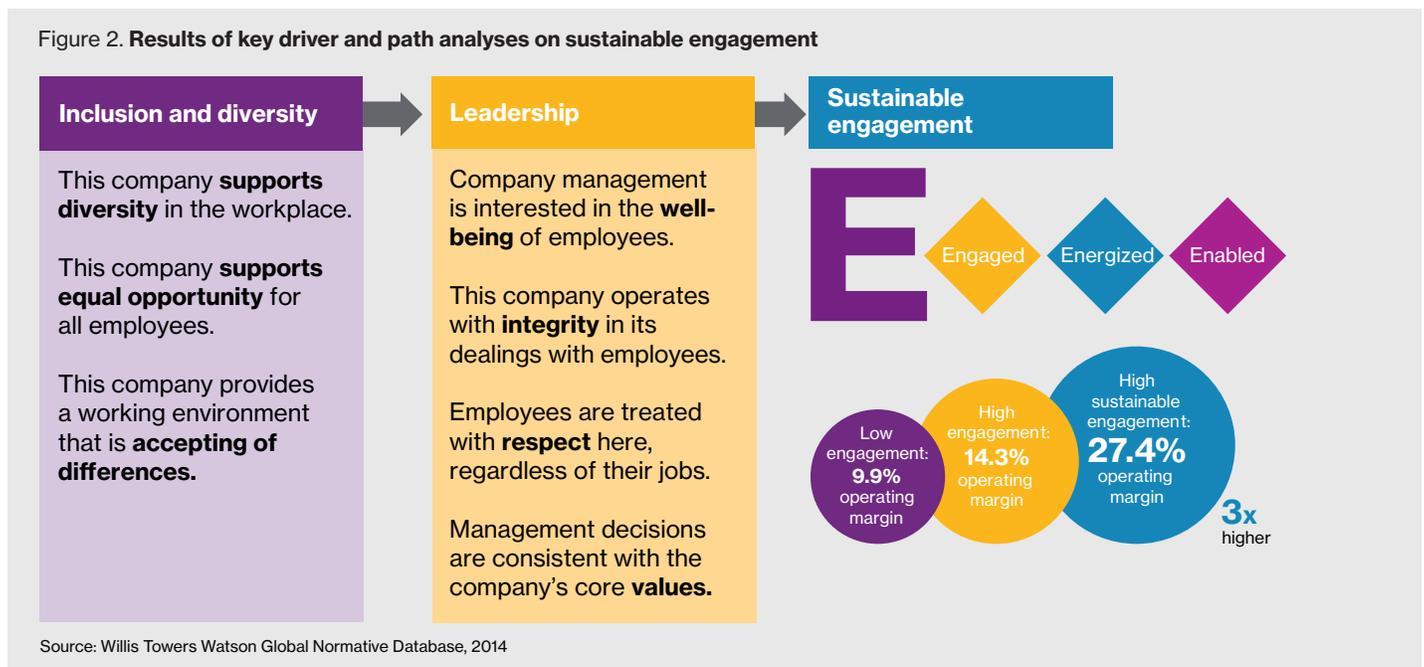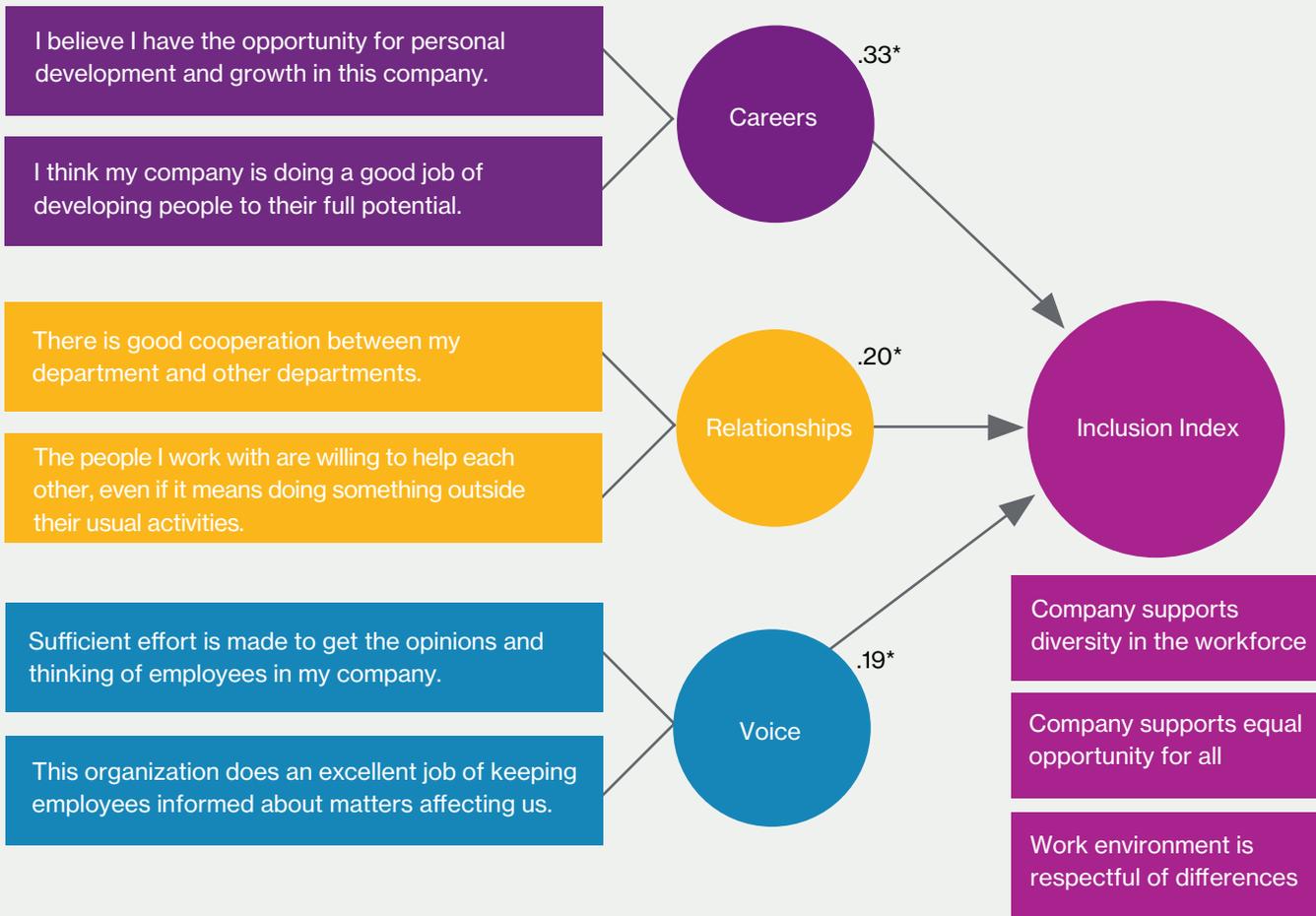

Figure 2. **Results of key driver and path analyses on sustainable engagement**

Inclusion and diversity

This company **supports diversity** in the workplace.

This company **supports equal opportunity** for all employees.

This company provides a working environment that is **accepting of differences.**

Leadership

Company management is interested in the **well-being** of employees.

This company operates with **integrity** in its dealings with employees.

Employees are treated with **respect** here, regardless of their jobs.

Management decisions are consistent with the company's core **values.**

Sustainable engagement

E — Engaged — Energized — Enabled

Low engagement: **9.9%** operating margin

High engagement: **14.3%** operating margin

High sustainable engagement: **27.4%** operating margin

3x higher

Source: Willis Towers Watson Global Normative Database, 2014

Figure 3. **Results of key driver analysis on inclusion**

Source: Willis Towers Watson Global Normative Database, 2014. Variance explained is .35

*Each regression coefficient (.xx) represents each opinion factor's unique influence on the outcome, taking into account the impact of other factors.

## Building an inclusive system: career, collaboration and communication

To gain insight into the specific cultural drivers of inclusion, we turned to the 350,000 respondents in our study. We found that employees were more likely to feel included when they believed they had the potential to develop and grow, were favorable about their ability to foster collaborative working relationships and participated in an effective dialogue with peers and leaders.

A profile emerged: "Included" employees see a future at an organization, can work easily with others and feel their voices will be heard. Back to Figure 2, the more included employees feel, the more likely they are to rate their senior leaders higher and be sustainably engaged. Based on these results, we can be confident that career opportunities, working relationships and open dialogue are concrete action areas for building an inclusive culture in any organization *(Figure 3)*.

Figure 4. **Whole-system model for inclusion and sustainable engagement**
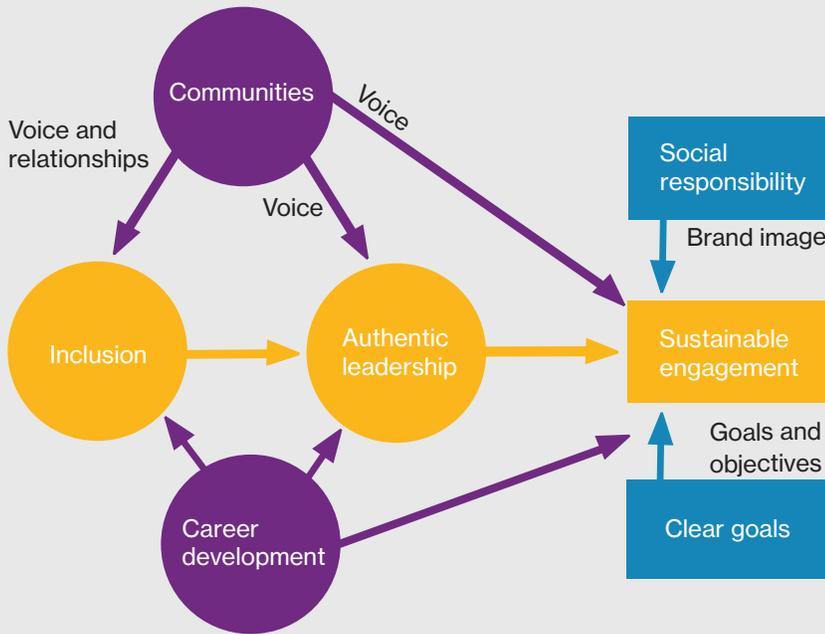
Source: Willis Towers Watson Global Normative Database, 2014

A whole-system approach to I&D ensures that we capture the depth and breadth of action necessary to drive a culture toward higher engagement and performance *(Figure 4)*. Career opportunity, peer relationships and open dialogue are the topics most powerfully correlated with higher inclusion, demonstrating both downstream and direct impacts on leadership and engagement. As such, it is a good bet that leaders who privilege these aspects of culture will see higher ratings, happier teams and greater performance. Yet every organization is unique. To drive culture change, leaders must consider their organization's I&D current state as well as the unique experiences of their diverse employee populations.

Calibrating inclusion: system fixes for different situations

To identify the opportunities for culture change in different I&D current states, we sought to understand what was different about companies that excel at both inclusion and diversity versus struggling on either issue. To this end, we classified each company in the study as high versus low (top and bottom tertile) for both gender diversity and inclusion scores. "Diverse yet exclusionary" companies had the most female employees, including managers, but were overall less inclusive. "Inclusive yet homogenous" companies were less gender diverse but more inclusive, including among female employees and female managers. Comparing these company profiles can help leaders understand which workplace factors to prioritize according to their organizations' particular struggles with diversity, inclusion or both *(Figure 5)*.

Inclusion or diversity deficit: focus on managing careers. Results show that employee opinions of talent management differentiate highly inclusive and diverse companies from those struggling on either issue. Specifically, employees in either less diverse or less inclusive companies perceive higher attrition, less effective workforce planning, and less equitable performance management and communication. When such talent management gaps are addressed, it may greatly mitigate both inclusion and diversity challenges, but a leader first needs to identify and understand them. Are there glass ceilings or level thresholds on promotions? Is diverse talent primarily bought or built? How does this vary by role or by level?

Indeed, we must provide leaders with the necessary data to understand the current state of their workforces if we expect them to strategically manage their employees. Workforce analytics provide insights on how diverse talent segments behave in an organization and what might predict these trends. Additionally, statistical modeling can help identify specific actions that will improve diversity outcomes.

Diversity deficit: prioritize community. Just as workforce diversity doesn't guarantee inclusion, inclusive organizations may struggle to create diverse workforces. Both the workforce planning challenge and the ways that people interact every day are important. When companies score high on inclusion but low on gender diversity, their employees actually experience deficits of the social elements that bring people together, such as cooperation, involvement and public recognition. Indeed, it would be difficult to accommodate more diverse teams if the social bonds between employees were poorly developed. To address

Figure 5. **Differentiator analysis results showing the gaps in employee experience between organizations with high diversity and inclusion versus those with deficits on either issue**

Opportunity for organizations with low inclusion	**Voice** Actively listening and addressing diverse experiences	▪ Pay is seen as being as good as the pay in other companies ▪ Company promotes the most competent people ▪ Work schedule allows sufficient flexibility ▪ Sufficient authority to do job well ▪ Supervisor develops people's abilities
Opportunity for organizations with low diversity	**Relationships** Prioritizing community as a core value	▪ Good cooperation between departments ▪ Supervisor recognizes a job well done ▪ Employees are involved in decisions about their work ▪ Employees usually get along well together
Foundation of organizations with high I&D	**Careers** Managing talent effectively	▪ Sufficient information about company performance ▪ Company retains the most talented people ▪ Company recruits the right people ▪ Clear process for evaluating employee performance ▪ Employees believe their performance is evaluated fairly

this foundational issue at any point in the journey, leaders can establish community as a core cultural value, and demonstrate this commitment by formally recognizing teamwork and ensuring that everyone is involved in team decisions.

Inclusion deficit: listen and tailor.
Our research shows that when organizations score high on gender diversity but low on inclusion, their employees have less favorable views of pay, fair promotion, flexibility, work autonomy and manager effectiveness. This suggests that even when companies hire a more diverse workforce, they may not succeed in managing the complexities that a more diverse population brings. For starters, it can be a challenge to ensure equitable pay and advancement practices while providing appropriate flexibility for people with different life situations.

Finally, frontline managers can ensure compliance with changing laws and regulations (e.g., recent changes to Fair Labor Standards Act statutes and federal directives on pay equity in the U.S.) and are often the first to identify and respond to unique employee needs. To build a cultural foundation for inclusion, all leaders can adopt the traits of authenticity and trust that we know are key to manager effectiveness, specifically, decision making that is true to organizational values and that takes employee well-being into account. Further, managers can build a psychologically safe environment by committing to equality and listening to individual experiences. Finally, it is important for managers to match work tasks and arrangements to employees' diverse work styles, interests, strengths and life situations.

Inclusion intersections: diagnose and treat systemic gaps

Our discussion of organizational culture highlights the need for companies to understand and address the complex needs of diverse employee populations. While these findings suggest broad areas of intervention for building inclusive cultures, there is no one-size-fits-all approach. On the contrary, our employee survey research shows that different employees often experience inclusion gaps for different reasons. With this in mind, the following sections offer three recommendations for weaving employee survey insights into a more tailored inclusion strategy. These include a diagnosis of inclusion gaps across a complex array of demographic groups, an investigation of unique experiences behind each gap and an inclusive application of the resulting insights.

Diagnose inclusion gaps by studying demographic intersections. To understand inclusion in the workplace, organizations should first acknowledge that employees have complex identities and that their experiences can vary by company. It is well known that inclusion gaps regularly occur among lesbian, gay, bisexual and transgender (LGBT) employees, racial and religious minorities, women, older people, and those with disabilities. However, people identify with multiple social groups and may or may not experience exclusion depending on how their coworkers and managers perceive them. For example, an employee survey at a large professional services company found that although gender helped explain inclusion gaps, black women felt even less included, especially when they worked in hourly roles. In a similar study at a global financial services company, we found that LGBT women felt less included than both straight women and LGBT men. The intricacies of intersectional differences demonstrate why it is essential for leaders to capture the full range of demographics in their organizations. The most effective method of identifying the greatest sources of concern in the organization is to study inclusion levels at cross sections of a company's organizational levels and demographics.

Investigate possible causes for each inclusion gap. Personal identity and background help explain who experiences inclusion gaps, but the institutional and interpersonal issues behind these gaps can vary greatly by company and depend on individuals' unique identities and career stages. For example, one study found that while LGBT men were primarily concerned

about career opportunities, LGBT women felt less included to the extent they experienced unfair performance reviews. Likewise, our study of 27 companies found that women in managerial roles felt socially detached, whereas women at lower job levels felt disconnected from opportunities to contribute to their teams. These studies reveal that identifying inclusion gaps is only a first step. A driver analysis to understand the diverse experiences behind inclusion gaps provides the most powerful insights for action, especially with an understanding of how interventions will support performance for the related workforce segments (chiefly important for pivotal segments).

Address inclusion issues inclusively. While it is essential to consider diversity in hiring and promotion, and ensure that diverse employee voices are incorporated into an inclusion strategy, efforts to improve inclusion should factor the needs of diverse employees into one consistent strategy equally applied to everyone. If different approaches are developed for different people, there is a risk that employees will feel called out, perceive special treatment or experience the opposite effect of what was intended. For example, increasing work/life flexibility only for women may perpetuate traditional gender roles that could limit choices for both male and female employees and impact advancement options for employees of either gender who are caregivers. Increased work/life flexibility for both women and men ensures that the need is met without introducing additional barriers to success for either gender.

## Champion inclusion and diversity

Our paper highlights broad principles to address I&D issues, with evidence from organizational research and subject matter experts. This perspective suggests that organizations should holistically weave inclusion throughout their talent management systems. Furthermore, tangible initiatives to address gaps in workforce strategy and policy should be embedded within an effort to change organizational culture. To build the foundation of an inclusive culture, leaders can address talent management deficits, establish community as a core value, listen to individual experiences, support actions that accommodate diverse work styles and life situations, and train managers as inclusion champions. Leaders can further optimize the culture by diagnosing inclusion gaps across their unique demographic segments and cataloguing the work experiences behind those deficits. Change champions should then leverage those insights inclusively by designing interventions that apply equally to all employees. Together, these approaches will help any organization support the diversity of its workforce and ensure all employees feel they belong and can achieve their goals at work.

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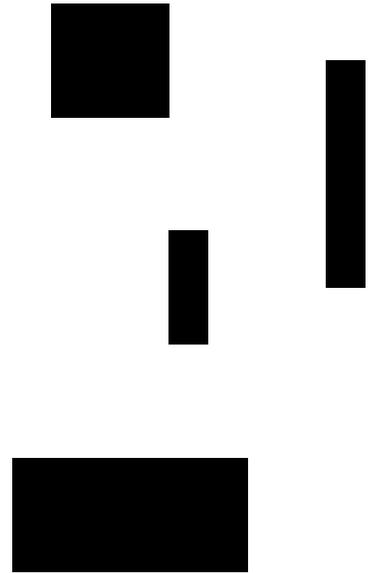
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