Diversity & Inclusion Practices that Promote Market Performance

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Baystate Health

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Diversity & Inclusion Practices that Promote Market Performance

Companies that succeed at diversity and inclusion (D&I) do so because their leaders truly get it—there is authentic recognition of the value of D&I, which is defined as a shared set of values and practices that are integral to an organization's identity and consistently reinforced through the culture.

These shared values serve as the foundation on which a culture of D&I is built and sustained. A culture of D&I is one that attracts talent, promotes innovation and creativity, is agile, excels at customer focus, and enhances the organization's competitiveness among global talent pools and markets. D&I is a companywide effort that aligns culture to strategic goals, promotes inclusive behaviors, and recognizes the business value of having a diverse workforce that can connect with and provide insight into diverse markets.

Four key findings regarding the D&I practices of high-performance organizations revealed in the Institute for Corporate Productivity's (i4cp) study, *Diversity & Inclusion Practices that Promote Market Performance* study (hereafter, the Study) are:

1. Effective D&I is in an organization's DNA

Enterprisewide recognition of the business value of D&I is critical. Drivers that focus on supporting the organization's culture, promoting innovation, and/or supporting business strategy have positive effect on market performance and D&I program effectiveness. Conversely, when D&I is driven by a forced mandate (e.g., legal compliance) or is merely (or perceived as) an attempt to improve a company's image or brand, this failure to recognize the business relevance of D&I has a negative effect on market performance. D&I efforts have the greatest impact on market performance when they are an ingrained aspect of the organization's strategy, talent management, and planning functions.

Companies that are using D&I to promote market performance:

Agilent Technologies

American Airlines

Baystate Health

Bill & Melinda Gates Foundation

Boeing

Choice Hotels International

Con Edison

CVS Health

EMC

Federal Reserve Board

FedEx Express

HONDA

TIAA-CREF

T-Mobile

Pitney Bowes

Based on reported market performance and diversity and inclusion index scores. **Source i4cp**

2. D&I success is grounded in metrics

Measuring D&I's impact on strategic goals proves business relevance that promotes leadership buy-in. Failing to use empirical data to measure D&I's impact on the business has a negative relationship to both market performance and D&I effectiveness. Accountability and clear ownership that extends beyond the function further strengthens the cultural impact of D&I.

3. As diversity continues to grow, inclusion will be the differentiator

The Study acknowledges that while diversity looks primarily at variations in workforce makeup (from race and gender to skills and points-of-view), inclusion is the practice of incorporating diverse individuals into a cohesive and productive working unit.

Both high and low-performance organizations plan to increase their focus on diversity and inclusion in the next five years, but high-performers are putting slightly more emphasis on building inclusive cultures, making them better able to leverage their diversity and to roll out consistent D&I practices to a global audience. While emphasis on increasing diversity currently gives high-performance organizations advantage, inclusion will be the strategic differentiator, keeping them in the lead in the future. Building a more inclusive culture is the key to making diverse talent more productive.

4. Specific leadership behaviors reinforce an inclusive culture

Organizations that effectively promote D&I are bolstered by two leadership behaviors that reinforce and support D&I values in the culture—first, their leaders seek awareness of differences. Second, they act to build productive relationships with diverse individuals. Leadership development should focus on encouraging behaviors that support a companywide inclusive mindset.

INTRODUCTION
Values govern culture

A lot has been written about the importance of organizational culture, and most would agree that what is genuinely valued by leadership (and reinforced by their behavior) is a driving force that shapes culture and determines how a company performs in the market. This was found to be true in i4cp's study *The Secret Formula for Organizational Agility*, in which diversity was listed among five organizational values of highly agile organizations (i4cp, 2014).

Is D&I a stated core value?

Yes	**69%**
No	**25%**
Don't know	**6%**
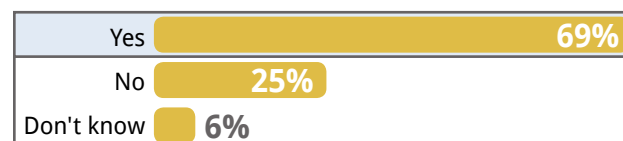
> **Though not a predictor of market performance, having D&I as a stated value *is* an indicator of D&I program effectiveness.**

Organizations with 1,000 or more employees. **Source: i4cp**

D&I is a frequently cited organizational value that can suffer from a perceived lack of authenticity when not properly recognized and internalized as a driver of organizational performance. While leadership may agree that D&I is "important," without a clear picture of exactly how that importance bolsters performance and decisive action behind it, they fail to realize its true capacity to support organizational strategies and goals.

What constitutes effective D&I?

This Study identifies practices related to both market performance and successful D&I programs. While market performance is determined by i4cp's Market Performance Index (MPI), diversity & inclusion success is measured by a secondary index centered on an aggregate score for the extent to which four specific cultural attributes are present in the organization. These attributes that make up the Diversity and Inclusion Index (DII) were identified by members of i4cp's Chief Diversity Officer Board—a working group of C-level diversity professionals.
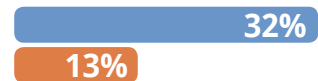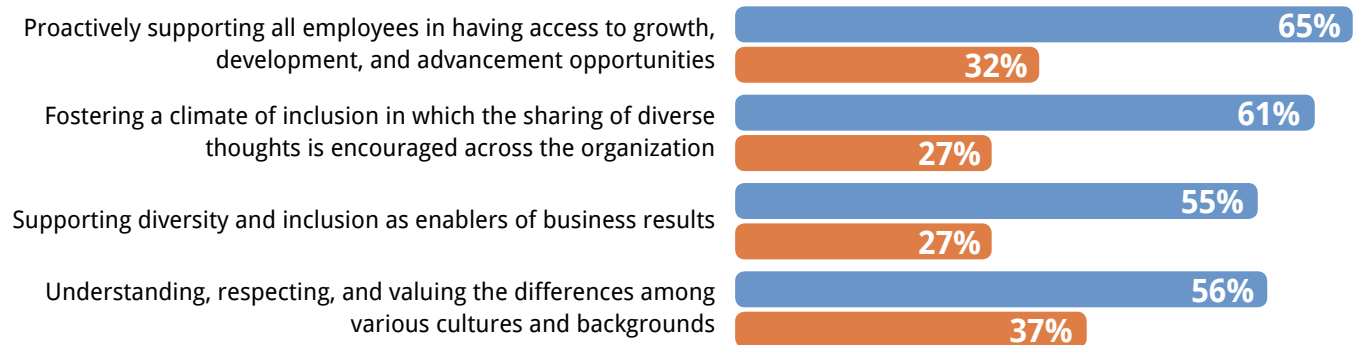
On aggregate, high-performance organizations (HPOs), as determined by MPI score, were nearly **2x** more likely to report that these attributes are present in their cultures to a high or very high extent.

An additional measure looking at the success of D&I efforts was used to support and verify the DII. Not surprisingly, effectiveness in the aforementioned attributes also showed an exceptionally strong link to the success of D&I efforts, and vice versa. But while both showed a significant relationship to market performance, adoption of the four specific attributes used in the diversity index provided a slightly stronger link to high market performance than D&I effort success alone. In order of the strength of each attribute's tie to market performance, they are:

Organizations reporting success with D&I efforts

32%
13%

Four D&I attributes that link to market performance and D&I success

Proactively supporting all employees in having access to growth, development, and advancement opportunities
65%
32%

Fostering a climate of inclusion in which the sharing of diverse thoughts is encouraged across the organization
61%
27%

Supporting diversity and inclusion as enablers of business results
55%
27%

Understanding, respecting, and valuing the differences among various cultures and backgrounds
56%
37%

■ High-performance organizations   ■ Low-performance organizations

Organizations indicating high/very high extent with 1,000 or more employees.
Source: i4cp

FINDING 1

Effective D&I is in an organization's DNA

Values that are imperative to the success of an organization's strategy are those that go deeper than superficial communications; they are omnipresent in the culture and essential to how business is done every day. They are considered early-on in proposals related to organizational goals and in discussions regarding strategic direction. They are incorporated into the narrative when recruiting and onboarding new employees, purposefully reinforced as development and promotion criteria, as well as consistently visible as a leadership priority.

The *why* of D&I matters

When asked about the drivers of their organization's D&I strategies, across the board, high-performance organizations reported pursuing D&I to strengthen some *internal* element of their organizations. In contrast, lower-performers reported a greater need to satisfy an *external* need or constituent. Clearly high-performance companies embrace diversity and inclusion as a value that sustains their organizations, while lower-performers view D&I as an obligatory, perhaps more superficial concern.
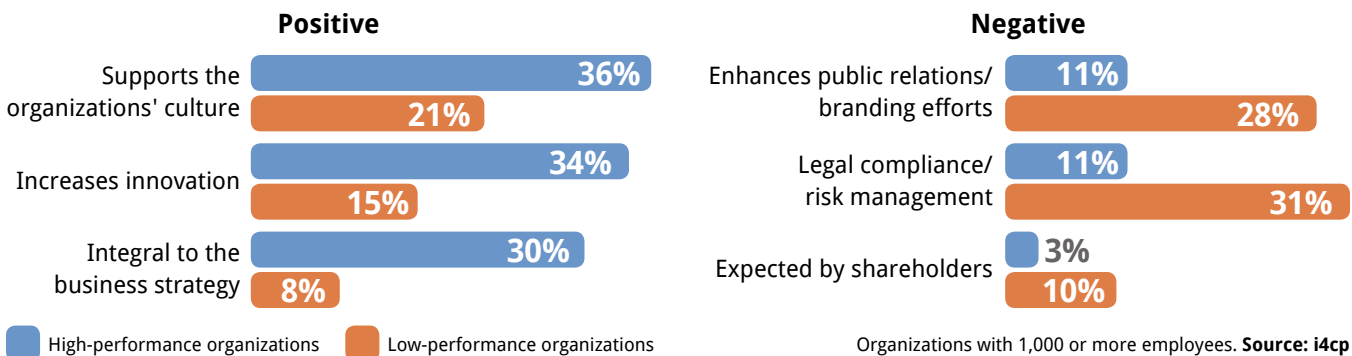
High-performance organizations are:

* **1.7x** more likely to say they pursue D&I to *support their company's culture*

* **2.3x** more likely to say they pursue D&I to *increase innovation*

* **3.8x** more likely to say they pursue D&I because *it's integral to the business strategy*

At the opposite end of the spectrum, low-performance organizations pursue D&I to satisfy external factors and audiences, while failing to recognize D&I's ability to help with goal attainment and strategy execution. Low-performance organizations are:

* **2.5x** more likely to say they pursue D&I to *enhance public relations and branding efforts*

* **2.8x** more likely to say they pursue D&I for *legal compliance and risk management*

* **3.3x** more likely to say they pursue D&I to *meet shareholder expectations*

Drivers that correlate to market performance

Positive

Supports the organizations' culture	36% / 21%
Increases innovation	34% / 15%
Integral to the business strategy	30% / 8%

Negative

Enhances public relations/ branding efforts	11% / 28%
Legal compliance/ risk management	11% / 31%
Expected by shareholders	3% / 10%

■ High-performance organizations   ■ Low-performance organizations

Organizations with 1,000 or more employees. **Source: i4cp**

The *why* of D&I determines the *how*

A stated driver for D&I that's integral to the organization's business strategy is only the beginning. Fusing intent to operations is how the strategy will play out in the culture. The Study found several practices that involve or integrate D&I into business initiatives that have strong positive relationship to both market performance and D&I effectiveness. These practices can be grouped into two overarching themes:

Establishing more inclusive cultures

- Educating leaders on cultural, societal, and business etiquette customs in key markets;

- Establishing a sense of inclusion/belonging, and respect among all employees;

- Providing initiatives to help leaders and HR professionals better recognize and manage their own conscious and unconscious biases;

- Providing inclusion-specific training to leaders.

Strategically leveraging diverse perspective from affinity/employee resource groups or diversity councils to guide key business initiatives

- Providing advice/guidance on go-to-market strategies for new markets or demographics;

- Generating new product/service ideas that resonate with specific markets or demographics;

- Recommending or facilitating connections with influential groups in key communities or sectors;

- Influencing talent or employer branding decisions.

American Airlines is an example of a company that's been diligent about consulting with diverse employee groups to help realize business advantages. Mike Waldron, the company's managing director for diversity and talent development, has American Airlines' 19 employee business resource groups (EBRGs) submit business plans to ensure that their focus stays aligned with larger business imperatives.

Says Waldron, "Leaders and members of the resource groups have really jumped into this because they realize that it's nice to do the feel-good stuff, but in order to make sure they stay relevant in the eyes of the corporation, they need to be connected to the business."

(For more details, see the case study **How American Airlines leverages EBRGs** on page 7.)

High-performance organizations also do more to purposefully incorporate or involve D&I in talent management functions, such as hiring, onboarding, recruiting and L&D. Again, weaving diversity and inclusion considerations into these components as a foundation of day-to-day operations has a positive relationship with both market performance and D&I success.

Discussing the role of organizations in developing talent, Kelly Gray, SVP of Human Resources at FedEx Ground, said, "Organizations should have a formal talent review process that includes the development of diverse talent, and most importantly, they need to have a process for holding the leaders of the company accountable for this focus on talent development. You want to make sure you have successors who are diverse—in gender and experience. All of it needs to be looked at through the lens of diversity and diverse development" (i4cp, 2015).

American Airlines

How American Airlines leverages EBRGs

Mike Waldron
Managing Director of Diversity and Talent Development
American Airlines

American Airlines is currently in the process of merging with U.S. Airways to become the largest airline in the world. American operates an extensive international and U.S. domestic network, with scheduled flights throughout North America, the Caribbean, South America, Europe, and Asia. The airline's sheer size and global scope makes diversity and inclusion (D&I) a front-and-center concern with strong support from the corporate executive level and throughout the organization for talent, business strategy, and market insights.

Mike Waldron, managing director of diversity and talent development for American Airlines, realizes the vital link that the airline's 19 employee business resource groups (EBRGs) make with communities in the markets American Airlines serves. Says Waldron, "The whole idea of creating an environment in which employees can bring different perspectives to work in order to help make American Airlines the premier airline in the world—it's almost a no-brainer."

To tap into those diverse perspectives, EBRGs at American Airlines work on annual business plans that help to keep them aligned to broader organizational goals. A diversity advisory council—comprised of two individuals from each EBRG—also comes together bi-monthly to ensure that the groups' individual efforts align.

Waldron cites three programs with measurable impact on American Airlines' business goals that either started in or leveraged various EBRGs for valuable market insights. By combining the needs of the business with EBRG members' personal knowledge of the needs and preferences of customers, tangible bottom-line results have consistently shown leadership that dedication to the values of D&I pays dividends.

In one example, the company involved its Asian/Pacific Islander resource group to help design services when the airline started flying into Seoul, South Korea. "The group helped the marketing department design the service so that nuances of the Korean culture that we may or may not get as Westerners could be incorporated," said Waldron. Their goal was to not only appeal to U.S. travelers flying into Korea, but to compete with Korean airlines for travelers to the U.S.

While Waldron admits that it's difficult to prove a causal link between these types of diversity efforts versus fare prices when determining why a customer makes the ultimate decision to fly with a particular carrier, he says that it at least weighs in as a factor that gets the customer through the door and creates a good experience.

Another example of the business impact of EBRGs at American Airlines involves its Christian resource group. "This EBRG partnered with our sales team to help identify different conferences and conventions that they're aware of, by virtue of their involvement in the communities in which they live and work, and this effort has manifested in the creation of new sales leads" Waldron said. With the sales team coaching EBRG members on triaging what's considered a qualified lead, American has been able to dedicate resources to make them either a carrier of choice or to at least increase their revenue for travel to and from these events.

In this case, business results are easier to quantify, as the sales organization likely wouldn't have been aware of the opportunities without input from the EBRG regarding events happening within their particular community. According to Waldron, "The Christian employee business resource group example has accounted for at least a million dollars in annual revenue and this group continues to look for opportunities to work with the sales team."

A final example from American Airlines highlights the work of its Muslim EBRG, whose members participate in town hall meetings with flight attendants leading up to the season of Ramadan to help increase awareness of certain customs and practices. "They can explain to flight attendants from their religious perspective how some practices and things are done," said Waldron. "So while you're on the plane, and you have a customer who's asking if they can move and stand in the galley, and they're asking in which direction the plane's flying so they can determine north, south, east or west—it gives the flight attendant some context. In turn, it enables the attendant to be more accommodating and more understanding of our customers."

With increasing international market share, explains Waldron, there's a consistent need to increase awareness of various cultures and backgrounds, a practice highlighted later in this report with a strong positive correlation to the ability to drive an inclusive culture.

Other examples from American Airlines include involving its Abilities resource group to help give guidance to the airport services organization on proper handling and loading of mobility devices such as wheelchairs and scooters, and teaming up with various groups for targeted recruiting events.

EBRGs are on the front line of the D&I efforts of many organizations, and are not only important for segmented marketing and learning/development support, but for infusing diversity champions throughout the organization. Keeping these groups focused on business-relevant impact is also a good way to draw out perspectives from both diverse groups and multiple lines of business that have visibility to a large swath of potential opportunities.

EBRGs are on the front line of the D&I efforts of many organizations.

FINDING 2

D&I success is grounded in metrics

More high-performance organizations indicate that they can directly connect D&I efforts to business outcomes (54% vs. 41% of low-performers). Of those, **more than 2x as many HPOs measure the success of D&I efforts with empirical data than LPOs** (21% vs. 10%). When diversity and/or inclusion initiatives report real business impact and have the numbers to back it up, a stated organizational value suddenly transcends aspiration to become a driving force behind business strategy and practices.

"The future of the work we are engaged in requires diversity practitioners and leaders to be much more grounded on workforce analytics and alignment with business strategy," says Nereida (Neddy) Perez, vice president and chief diversity officer at i4cp member company Ingersoll Rand.

Andres Gonzalez, chief diversity & inclusion officer for Massachusetts-based Baystate Health, contends that empirical data measuring impact—though often difficult to zero-in on—is the foundation of a business-relevant function. "I think that we've been able to demonstrate and delineate clearly beyond the business case for diversity and inclusion how this becomes critical to our performance, to our competitive advantage and, more importantly, to align with our mission of providing a great patient experience to our very diverse community here," Gonzalez said.

According to Gonzalez, metrics qualifying and quantifying D&I efforts on engagement and business opportunities have made it easier for Baystate's CEO, Dr. Mark Keroack, to help champion the function as a driver of strategy. "He has made

> **More than 2x as many HPOs measure the success of D&I efforts with empirical data than LPOs.**

those linkages, and has said to us and to the organization 'this is how inclusion really drives engagement and ultimately, how it drives the patient experience.'"
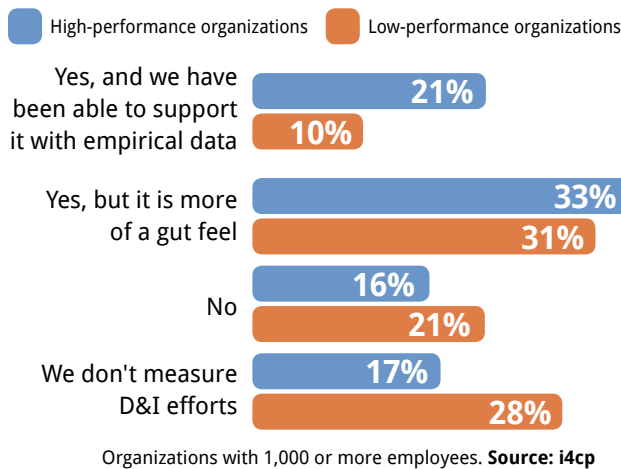
Baystate even extends its case for empirical metrics to include external sponsorship with diverse community programs. As part of its conversation with non-profits it partners with, Baystate now asks for metrics to gauge the impact its investments are making. "We want the dollars to really go into the programmatic side of the organization where it really makes a difference," Gonzalez said.

This has produced a number of metrics that are customized for each non-profit. "It's really shifting the conversation for non-profits to strive to become outcome-based—becoming much more rigorous about their processes and those outcomes. At the same time, it also aligns with the very specifically focused metrics that we'd like to see."

(For more on how Baystate measures D&I initiative returns, see the case study **The business impact of Baystate's Pride ERG** on Pg. 12.)

i4cp's research shows that, conversely, not using empirical data to measure D&I's impact on the business has a negative relationship to both market performance and D&I effectiveness; the only thing worse is not using any measurement for D&I at all.
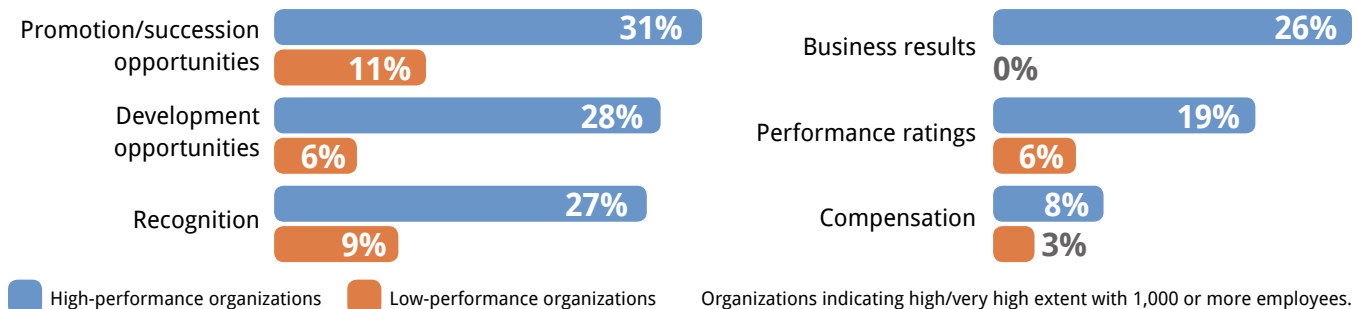
Does your organization connect D&I efforts to business results?

- High-performance organizations
- Low-performance organizations

Yes, and we have been able to support it with empirical data
- 21%
- 10%

Yes, but it is more of a gut feel
- 33%
- 31%

No
- 16%
- 21%

We don't measure D&I efforts
- 17%
- 28%

Organizations with 1,000 or more employees. **Source: i4cp**

No relevance without accountability

Success metrics go hand-in-hand with accountability. High-performance organizations are **2x** to **3x** more likely to make living the organization's D&I values a job requirement, showing that they place just as much importance on promoting those values as they do on any other factor that's considered critical to the organization's strategy. Notably, no low-performance organizations use accountability for *business results* to high/very high extent.
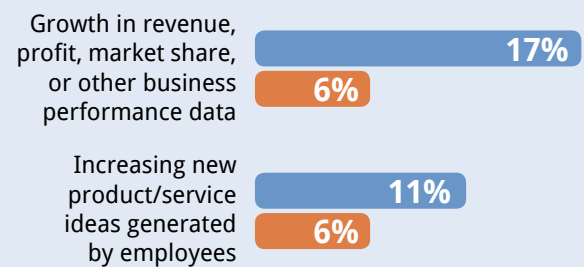
NEXT PRACTICE

Not all measurements are created equal

While most methods queried on in the Study showed some positive tie to D&I program success, only two were significant predictors of high performance. In order of significance, they are:

Growth in revenue, profit, market share, or other business performance data
- 17%
- 6%

Increasing new product/service ideas generated by employees
- 11%
- 6%

"I think that those are the types of metrics (growth in market performance or new product/service ideas) that we're becoming much more focused on and much better at, because ultimately I want an initiative that my CFO will get excited about. Those are the types of initiatives that the CFO will be a champion for—when he sees that we're actually making the organization much more profitable and getting a greater market share within our footprint."

Andres Gonzalez
Chief Diversity & Inclusion Officer, Baystate Health

Mechanisms to ensure accountability and focus on D&I

Promotion/succession opportunities
- 31%
- 11%

Development opportunities
- 28%
- 6%

Recognition
- 27%
- 9%

Business results
- 26%
- 0%

Performance ratings
- 19%
- 6%

Compensation
- 8%
- 3%

- High-performance organizations
- Low-performance organizations

Organizations indicating high/very high extent with 1,000 or more employees.
Source: i4cp

D&I should be owned by all

When data connects D&I to business outcomes, demand for such initiatives follow, and when a value expresses itself in an organization without prompting by a dedicated function, it's truly worked its way into the culture. High-performance organizations are (31% to 11%, high/very high extent) nearly **3x** more likely to report that individuals outside of the D&I function own D&I efforts to a high or very high extent. They are also half as likely to report that D&I practices and programs are solely pushed out into the organization by the D&I function.

According to interviewees for this Study, many successful initiatives and training programs discussed either originated from within employee resource groups or were directly requested by various business units .

At BASF, a leading global chemical company, "diversity and inclusion is a priority," says Patricia Rossman, chief diversity officer, BASF North America. "We understand that having a diverse and inclusive culture drives innovation and helps us meet our customers' needs by bringing a broad range of the best ideas, thoughts and solutions to solve some of the world's biggest challenges through chemistry. We think of this as having the right chemistry for growth."

To provide leaders with data to assess progress as well as organizational level perspectives, Rossman says BASF has "created a talent/D&I dashboard that goes beyond more traditional metrics. We want to provide our leaders with metrics to gauge the impact of their actions to drive diversity and inclusion and other key talent imperatives."

Rossman explains that the dashboard is helpful to address key talent questions in North America. "Are your hiring decisions making your team more or less diverse? Where are you sourcing talent from? What are the major retention trends for your team? This involves not only looking at the factors of ethnicity, race and gender but also the mix of internal and external talent and the talent dynamics on the various teams," Rossman says. "The dashboard helps leaders drive change by seeing how their actions are moving the needle on progress in diversity and inclusion, and where corrective action is needed, so that our leaders are empowered to make progress" (Derven, 2014).

Baystate Health

DIVERSITY Includes Everyone℠

Andres Gonzalez

Chief Diversity &
Inclusion Officer

Baystate Health

The business impact of Baystate's Pride ERG

Massachusetts-based Baystate Health, a multi-facility regional health services supplier and the largest regional employer in Massachusetts, takes pride in the patient experience it provides to the diverse markets it serves. From community outreach to translation services, one of Baystate's goals is to allay the anxieties many experience when dealing with institutionalized medical care—to make the patient experience as accessible and dignified as possible by understanding the cultures, communication preferences, and lifestyles of those it serves.

To truly embrace this mandate as a business strategy, Andres Gonzalez, chief diversity & inclusion officer for Baystate, recognizes that these efforts must be measured.

One diversity outreach that continues to provide measurable dividends tapped into the Baystate Pride employee resource group (ERG). The lesbian, gay, bisexual and transgender (LGBT) employees who are represented by this group were asked to work with the planning team for Baystate's Northampton, MA facility. The goal was to make this particular family medicine facility as LGBT-friendly as possible in order to be responsive to an underserved segment of the market in this community.

"The planning team recognized that there would be value in engaging our ERG," Gonzalez says. "As a result of that engagement, we were able to provide very key, specific, tangible and delineated opportunities." The Pride group provided input on branding of the facility, marketing, ascetics, and facility layout suggestions, such as gender-neutral bathrooms for transgender patients.

"They also looked more closely at the service lines that are critical for our LGBT community that could also benefit the organization," said Gonzalez. "This has really become profitable for us and helped as we continue to enhance our market share."

Tracking revenue generated by services provided at the facilities comprehensive transgender clinic is one of the ways Baystate empirically shows the value of the effort. In this particular example, Gonzalez says that the clinic is providing services to over 500 transgender patents annually, generating profitable and growing monthly billable services for that facility.

Because Gonzalez can prove empirically that these efforts increase market share and revenue, Baystate can continuously reinvest in this market—with additional metrics built in to continuously track impact. They know when they sponsor and host Northampton's LGBT Pride parade (one of the oldest and largest in the nation) what the return on that outreach should generate.

"What we are looking for now is how many new patients we are gaining out of that contact and how does that then yield or generate dollars, for example, at Pioneer Valley Family Medicine in Northampton that has the transgender clinic and those very specific service lines for our LGBT community," says Gonzalez.

So for example, an investment of $5,000 dollars might attract four new patients. Those four patients can then be tracked internally through electronic medical records to determine what services are provided over months or year. This allows Baystate to determine that the initial investment stimulated $20,000 in services— quadrupling the investment in that particular event or community.

> **D&I success stories backed by clear and relevant metrics illustrate how diverse employee segments can bring revenue to the table when they are supported by an inclusive culture.**

D&I success stories backed by clear and relevant metrics illustrate how diverse employee segments can bring revenue to the table when they are supported by an inclusive culture. "Part of what the organization recognizes is that not only are these employees an asset to the organization, but they happen to be part of our community and our patient base," said Gonzalez. "It's propelled us to become and be recognized as the healthcare system of choice in the LGBT community here in western Massachusetts and in New England."

According to Gonzalez, the success shown by these types of metrics are fueling the push to continuously build D&I into everything they do at Baystate. Outreach programs to inform the community about bilingual or bicultural physicians and clinicians have patient volume tracking from those communities built in from the outset. The same is true for augmentations to translation services that provide either telephonic or in-person interpretations.

Gonzalez says that as Baystate continues developing programs in the future, be they healthcare equity projects that address disparities in certain communities, or increases to supplier diversity with women and minority owned businesses, specific measures for market share and revenue will continue to keep efforts both aligned and relevant to broader organizational strategies.

FINDING 3

As diversity continues to grow, inclusion will be the differentiator

Shifting demographic trends combined with increasingly global talent pools and markets will continue to keep diversity at the forefront of workforce planning priorities. But while placing emphasis on sourcing diverse talent gives high-performance organizations the advantage today, it will be the *inclusiveness* of these organization's cultures that will ensure sustainable advantage in the future.
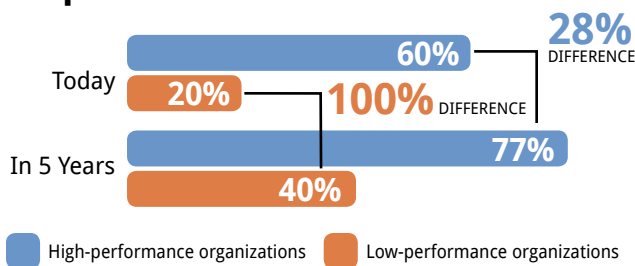
While diversity is about valuing differences, inclusion is concerned with creating an environment in which diverse groups can draw on those differences in a cohesive and productive manner. Inclusive cultures have the ability to attract and nurture diverse talent, to promote the sharing of innovative ideas, and to connect with diverse markets. Necessity will amplify the importance placed on diversity even among low-performance organizations, but high-performance companies realize that true business advantages can only be realized once diverse skills, talents, and backgrounds are fully engaged and aligned to the organization's success.

> **True business advantages can only be realized once diverse skills, talents, and backgrounds are fully engaged and aligned to the organization's success.**
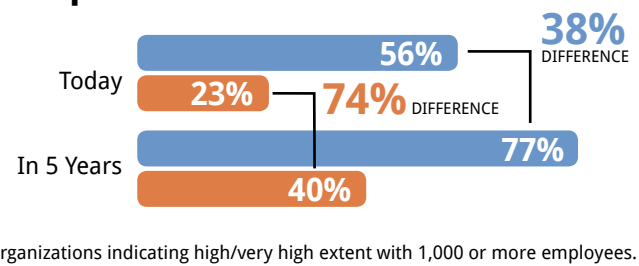
As illustrated by earlier findings in this Study, this requires sincere commitment to inclusion as a cultural value that drives business strategy.

Study data shows that high-performance organizations place **2-to-3x** more emphasis on diversity and inclusion now—and will continue to in the future—as compared to lower performers. And while both groups will increase that emphasis, high-performance organizations will place more on increasing inclusion, while low performers will play

Emphasis on DIVERSITY

Today
High-performance: **60%**
Low-performance: **20%**
28% DIFFERENCE
100% DIFFERENCE

In 5 Years
High-performance: **77%**
Low-performance: **40%**

■ High-performance organizations ■ Low-performance organizations

Emphasis on INCLUSION

Today
High-performance: **56%**
Low-performance: **23%**
38% DIFFERENCE
74% DIFFERENCE

In 5 Years
High-performance: **77%**
Low-performance: **40%**

Organizations indicating high/very high extent with 1,000 or more employees.
Source: i4cp

catch up with diversity. Beyond the numbers, it is the strategic ways in which that emphasis will be expressed—such as through increased agility and innovation—that will promote improved market performance.

As noted in i4cp's study, *The Secret Formula for Organizational Agility*, interactions within a diverse group of individuals that are sufficiently different from each other in the ways they think, in their identities and experiences, provides a fertile environment for innovation to grow and flourish—but the mere existence of a diverse group of individuals does not directly lead to creativity (i4cp, 2014).

Likewise, i4cp's study, *Human Capital Practices that Drive Innovation*, recommends greater reliance on D&I in both recruiting and team building to broaden the range of perspectives that are the source for innovative solutions, but there is an equal need for channels to express those perspectives if innovative ideas are to be realized (i4cp, 2013).

Another contention in favor of emphasis on inclusion is that diversity is sometimes perceived as a predominately U.S.-centric value, while inclusion is more accepted as a global value. Though certain aspects of diversity may seem universal, others are dependent on a deeper understanding of local and regional cultures, customs, laws, and history. By focusing on building an organization in which all differences are valued, potential barriers to acceptance can be de-emphasized and relevant

diversity priorities and goals can be set at local and regional levels. This will invariably enrich available talent pools in those areas, but the larger focus on building an inclusive culture has the ability to attractive and retain the broadest range of talent by promoting opportunities for all perspectives to be valued.

Kristi Stepp, vice president of organizational effectiveness for Kelly Services, an i4cp member company, agrees that building more inclusive cultures is critical to meeting global talent needs. "Our customers operate in a global landscape, and Kelly must provide solutions for our customers that highlight the imperative to create more inclusive cultures to attract and retain diverse talent," says Stepp.

To help broaden the supply of talent they offer, traditional diversity components at Kelly are overlaid with factors such as education, area of discipline, preferred geography, and work-style.

"In many countries, there is a lack of skilled talent in careers that are growing exponentially. Kelly looks to underutilized sources of talent to fulfill the supply and demand from our customers; we rely on workforce solutions that deliver competitive talent supply chain solutions in a global economy," Stepp says. To this end, an inclusive culture that provides access to the widest and deepest talent pool possible fills a business-critical need for Kelly and for the organizations that rely on them for staffing support.

FINDING 4

Specific leadership behaviors reinforce an inclusive culture

The Study asked respondents to rate the importance of 19 leadership behaviors and found two that have the greatest impact on D&I success. In essence, these findings suggest that: *leaders should seek awareness of differences* and *take action to establish relationships that bridge gaps and build understanding of those differences*. These behaviors reflect the fundamentals of good leadership, which is to seek awareness and then take constructive action based on that awareness.
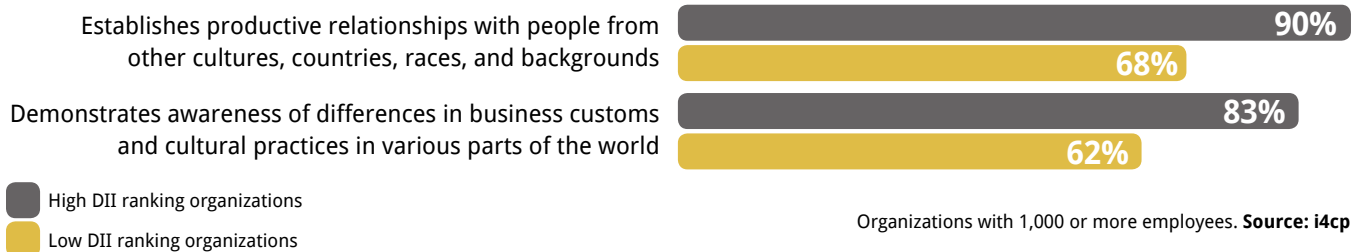
These findings are also supported by research from the i4cp/American Management Association (AMA) study *Global Leadership Development - Preparing Leaders for a Globalized Market*. That study found that to be effective, global leaders need local knowledge. Specifically, leaders need cultural and linguistic competencies in combination with customer insights for the markets they serve. They also need to be able to teach/coach individuals with diverse learning styles and should be skilled in collaboration, which requires openness and understanding of diverse perspectives (i4cp/AMA, 2014).

> **The importance of genuine and supportive conduct on behalf of leadership cannot be overstated when it comes to promoting values in the culture.**

The importance of genuine and supportive conduct on behalf of leadership cannot be overstated when it comes to promoting values in the culture. Building the proper leadership behaviors should be reflected in both development opportunities and performance evaluations.

At American Airlines, maintaining diversity awareness and D&I involvement are important leadership expectations. Apart from other D&I modules included in specific leadership training

Two leadership behaviors that support D&I

Establishes productive relationships with people from other cultures, countries, races, and backgrounds
- 90%
- 68%

Demonstrates awareness of differences in business customs and cultural practices in various parts of the world
- 83%
- 62%

■ High DII ranking organizations
■ Low DII ranking organizations

Organizations with 1,000 or more employees. **Source: i4cp**

> ## "We have goals for all of our senior officers as far as attendance, involvement, and participation in diversity and inclusion events."

Mike Waldron
Managing Director of Diversity and Talent Development, American Airlines

programs, all employees at the airline—from front-line to the upper echelons—are required to go through a regularly updated training program called The Value of Respect. Beyond reemphasizing policies, this module is meant to build awareness of why a product, an environment, and a brand that is inclusive is so important to the business.

"It (The Value of Respect training program) talks about the demographics of not just our employees, but the demographics of our customer base," says Mike Waldron. "We will talk about things like the spending power of the African American community within the United States, or disposable income of the LGBT community. From a pure dollars and cents standpoint, that's going to help us be successful. Every two-to-three years, we try to migrate the content with the maturity of the organization, so that kind of training has moved from a little bit more of a compliance slant to much more about inclusion and business connection." Popular with leaders, this training is offered both online and in an in-person setting for those who want to facilitate dialog within their departments or teams.

"We report out to our senior leaders and to our board of directors on our efforts from a representation standpoint, and from an engagement standpoint," said Waldron. "We also have goals for all of our senior officers as far as attendance, involvement, and participation in diversity and inclusion events. That gets reported out to the board of directors as well."

At Baystate Health, Andres Gonzalez reports similar goals and requirements for leaders to demonstrate inclusive behaviors. With a CEO that developed a strong commitment to the business value of diversity and inclusion while working in Africa, Baystate keeps awareness of diversity in its community and relationship building as a top-level priority that's owned by all leaders and employees—with associated accountability.

"Now, every single offering that we do here has a diversity and inclusion component built in to it," Gonzalez said. This helps to align inclusive leadership behaviors with the capabilities needed for organizational success—from supporting engagement by including all team members and making them feel they've been heard, to supporting the market strategy by ensuring greater accessibility for diverse members of the community. These initiatives also inspire tools and training for leaders. "What it's doing now is really equipping our leaders to be able to provide and lead diverse teams."

And, says Gonzalez, "What we're finding is that our leaders are becoming inclusive leaders. This is imperative for us. And if you don't think this is where you actually want to work because of those initiatives, this might not be the right organization for you. We're having those conversations about offboarding people who are leading teams but are not demonstrating some of those inclusive behaviors."

Conclusion and recommendations

The findings of this Study clearly illustrate that high-performance organizations place greater emphasis on nurturing the values of diversity and inclusion, which enhances their ability to leverage those efforts to create tangible business results. They do this by promoting D&I as cultural elements that have the same—and in many ways, overlapping—imperative as agility, innovation, and customer focus. D&I at these firms is not just something they do, it's a part of who they are.

This distinction in how the values of D&I play out creates a clear competitive advantage—one that will only grow as demographics continue to shift and businesses become more global. And where diversity will become more of a talent management necessity, it's the inclusiveness of an organization's culture that will determine how well that advantage is leveraged.

> **How the values of D&I play out creates a clear competitive advantage— one that will only grow as demographics continue to shift and businesses become more global.**

To promote the value of D&I in your organization's practices in a way that will help foster both market and D&I program success, i4cp recommends the following:

1. Use a variety of tools and training to develop inclusive leaders

Both inclusion-specific training for leaders and providing programs that bring awareness of conscious or unconscious biases are the two practices with the strongest relationship to market performance. These programs should maintain a business focus, communicating how this awareness impacts talent and market interactions. Educating leaders on the cultural, societal, custom "do's" and "don'ts" in key markets also has a strong impact on market performance.

Another useful tool for keeping awareness front and center for leaders is maintaining individual scorecards or dashboards that track diversity hires, promotions, and other D&I-related interactions. The chief diversity officers (CDOs) interviewed by i4cp for this Study use these tools for both accountability metrics and as the basis for discussions and action plans to promote inclusive behaviors. In organizations that view D&I as a business imperative, such metrics are often reported to the executive team and board of directors and have an impact on performance evaluations.

2. Prioritize leadership involvement among diverse groups

The consensus among top diversity professionals is that D&I is a contact sport; there should be diversity among leadership, and leaders should work side-by-side with representatives of diverse employee and

external groups in order to see the potential that those groups bring to the table. Some senior leaders have even cited these opportunities as the "conversion experience" that brings the leader to an inclusive mindset and understanding of D&I as a business advantage.

Leaders should be required to maintain involvement with various diversity initiatives as an element tracked via either a diversity scorecard or other performance measure. Internal opportunities, for example, could involve pairing a leader with an employee resource group to look at opportunities or insights with the potential to increase engagement among workers represented by that group or to identify market opportunities among external audiences that group is a part of.

Opportunities should also be sought outside of the organization, for example, sourcing and maintaining relationships with diversity-owned businesses as suppliers and business partners. Over time these relationships can provide additional access to markets, talent, and insights that might otherwise be overlooked.

3. Hold employee resource groups (ERGs) accountable

In the past (and unfortunately, still, among low-performance organizations) ERGs have been viewed by some as nothing more than networking opportunities for women and EEOC-defined minority groups. But organizations that embrace the value of D&I know that ERGs representing even more diverse groups—such as military veterans, generational cohorts, differently abled employees, employees with children, etc.—have the potential to act as business partners that can support organizational strategies and goals.

Aligning the goals of ERGs with the goals of the business is a practice employed by several organizations interviewed by i4cp. ERGs are asked to submit annual business plans that identify initiatives in which the group sees a business opportunity for the organization. The goal of these plans is to create a drive and mindset among ERGs to show how their diverse insights can advance the business—be it through marketing, sales, PR, or even product and service offering development. In some cases, these opportunities can benefit from the support of certain business functions, and in some cases business functions have initiated the outreach to bring an ERG's perspective to bear on a specific goal or initiative.

4. Create rotational positions within the D&I function

To help integrate the values of D&I throughout the organization, one Fortune 500 professional services firm has a program to rotate high-potential line-of-business employees through positions within the D&I function. This development opportunity allows the individual—who can be pulled from any function—to work directly with the CDO for a year. After the assignment, the individual goes back to their line of business.

This not only creates evangelists throughout the company that understand and can champion D&I programs, but it also provides the D&I function with a greater understanding of the needs of the business. These individuals can potentially bring a broader array a skills to bear on D&I programs and can help design metrics that are relevant to the business goals of their function.

Author and contributors

Eric Davis, i4cp's Creative Director & Senior Editor, is the lead researcher for the i4cp **Chief Diversity Officer Board** and author of this report. Over nearly a decade with i4cp, Eric has authored numerous reports, white papers, articles and blogs with a focus on diversity and inclusion, organizational culture, and trends in human capital management. His work has appeared in *Diversity Executive Magazine* and *Talent Management Magazine*. His co-authorship of a seminal 2014 study on employing people with intellectual and developmental disabilities has been cited by *The Daily Beast* and he has appeared on HuffPost Live. Eric received his MS from Marshall University.

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Special thanks to Andres Gonzalez, Mike Waldron, Kristi Stepp, Nereida (Neddy) Perez, Patricia Rossman, and Kelly Gray for contributing their knowledge and insights.

For more information or to contact the author, please go to **i4cp.com/contact**

i4cp's Chief Diversity Officer Board

Review and commentary was also provided by the members of i4cp's **Chief Diversity Officer Board**. This group is comprised of representatives from the following organizations:

- AIG
- Baystate Health
- Carolinas HealthCare System
- Choice Hotels International
- CVS Health
- Federal Reserve Board
- Ingersoll-Rand Company
- Kelly Services, Inc.
- Lincoln Financial Group
- Pitney Bowes
- Sony Pictures Entertainment
- W.W. Grainger, Inc.

i4cp's gratitude goes out to this group, whose dedication to the study of diversity and inclusion made this research project possible. Their time and expertise were essential in the production of the initial survey instrument, in the final analysis of the data, and in the source material for the case studies.

About this study

The purpose of i4cp's *Diversity and Inclusion Practices that Promote Market Performance* is to look beyond standard diversity & inclusion (D&I) program infrastructures and benchmarks to expose the organizational values and behaviors that have the greatest impact on market performance and D&I program effectiveness. In other words, how the values of D&I are expressed and used to enhance organizational culture in ways that helps companies to achieve their strategic goals.

All data referenced in this report is from the i4cp 2014 survey, *Diversity and Inclusion Values and Behaviors*. The survey had 524 respondents, 40% of whom represented global or multinational corporations, 72% were from organizations with 1,000 or more employees. Unless otherwise stated, all data cited in this study represents organizations with 1,000 or more employees.

Breakouts by organization size, industry, and other demographic factors are available in the interactive data workbook for this Study, which is available to all i4cp member organizations via the i4cp website.

Study data

Want to know more about the data behind the Study? i4cp members may request the survey dataset by contacting their account manager.

Market Performance Index (MPI)

i4cp's Market Performance Index, or MPI, is based on self-reported ratings of organizational performance in four key areas—market share, revenue growth, profitability and customer satisfaction—as compared to the levels achieved five years previously. The average of the four ratings determines MPI score.

High-performance organizations (HPOs) are those in the top quartile of MPI scores.
Low-performance organizations (HPOs) are those in the bottom quartile of MPI scores.

Diversity and Inclusion Index (DII)

The DII is based on an aggregate score for the extent to which four specific cultural attributes are present in the organization. In order of the strength of the attribute's tie to market performance, they are:

- Proactively supporting all employees in having access to growth, development, and advancement opportunities
- Fostering a climate of inclusion in which the sharing of diverse thoughts is encouraged across the organization
- Supporting diversity and inclusion as enablers of business results
- Understanding, respecting, and valuing the differences among various cultures and backgrounds

An additional measure of the success of D&I efforts was used to support and verify the DII.

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