Driving Diversity and Inclusion

Organizations that recognize the importance of diversity and inclusion and take steps to develop it are making faster progress toward digital transformation than their competitors, according to a global survey conducted by Oxford Economics. But even leading organizations have a lot of room for improvement in these efforts.

Our cross-industry survey of 4,100 executives and employees, conducted in 2016, spanned 21 countries on five continents. The results show that growing diversity in the overall workforce is not matched by increases in the diversity of mid-level management, senior executives, or board membership. Just one-third of executive respondents say their organization has effective diversity programs in place today, but progress is underway, with nearly 60% expecting to have effective programs in three years.
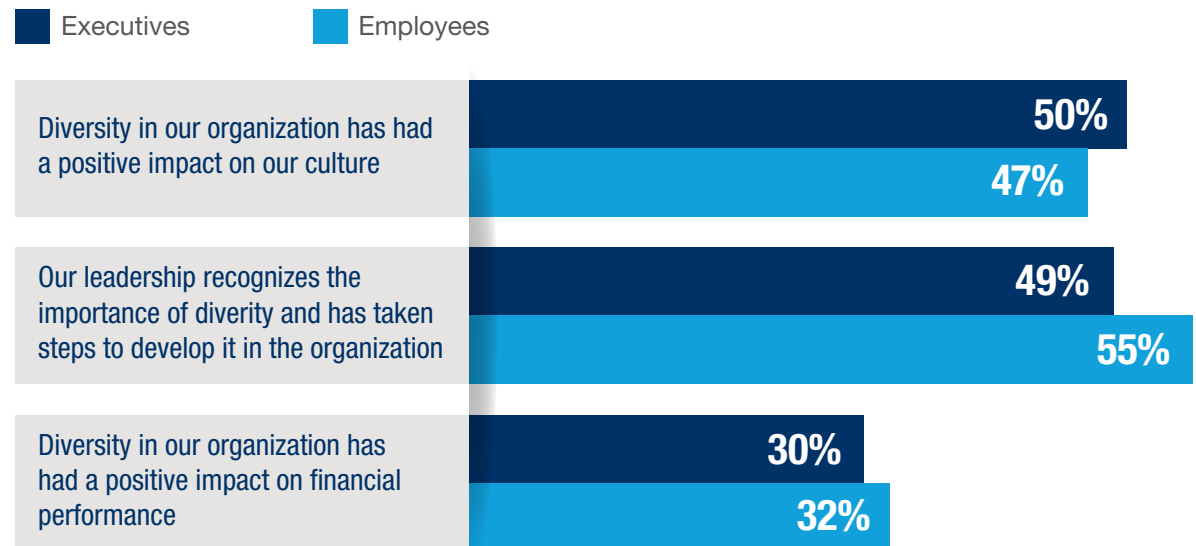
That progress should pay off in several ways:

- Employees of organizations with successful diversity efforts are more likely to be highly satisfied with their jobs, while job dissatisfaction is highest at places without effective diversity programs; increased diversity among mid-management is linked to higher job-satisfaction levels.

- Companies with stronger financial performance are much more likely to say diversity has had a positive impact on culture and that leadership recognizes its value; they also are more likely to report that diversity has a positive impact on financial performance.

- Digital Winners—the elite group of respondents identified as being ahead of other organizations by several critical measures of digital transformation—are more likely to emphasize diversity and to say it has had a positive impact on both culture and financial performance (see sidebar).

Capturing these diversity dividends will require systemic approaches to changing the workforce and the workplace. Most organizations have not made the necessary commitment to building diversity, a shortfall that keeps them from realizing its rewards.

49% of executives say leadership understands the importance of diversity and has taken steps to build it…

…but only **34%** of executives have effective diversity programs in place today

Fig. 1: Diversity's unrealized value

Q: To what extent do you agree with the following statements about diversity at your organization? *"Agree" and "Strongly agree" responses*

Executives   Employees

Statement	Executives	Employees
Diversity in our organization has had a positive impact on our culture	50%	47%
Our leadership recognizes the importance of diversity and has taken steps to develop it in the organization	49%	55%
Diversity in our organization has had a positive impact on financial performance	30%	32%

Diversity in a global economy and an era of rapid social change is about more than women's parity with men or an array of ethnicities and skin tones, as important as those aspects remain to the larger diversity story. It is a way of thinking that recognizes how different attributes bring varied viewpoints that, taken together, make the collective organizational brain sharper and more in tune with the marketplace.

A clear business benefit of diversity is that it helps employers meet the need for hard-to-find digital skills by broadening the talent pool. No wonder employees, customers, and, increasingly, investors expect diversity from a modern, digital company. Simply put, diversity is a "business imperative," says Aarti Shah, senior vice president and chief information officer at global pharmaceuticals manufacturer Eli Lilly and Company.

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Building business value

Working in a diverse and inclusive culture brings competitive advantage, says Ms. Shah, who has been at Lilly for more than two decades and has held several executive positions at the company, including global brand development leader and vice president of biometrics. As in other industries, staying ahead in the pharmaceuticals business depends upon reaching new insights faster than competitors.

The range of viewpoints naturally found in groups of varied ethnicities and genders helps companies come up with new ideas, says Ms. Shah, with innovation in product development and marketing starting at the crossroads of different experiences, attitudes, and disciplines. Lilly looks for a range of patients from different backgrounds to participate in clinical trials of new medicines, and also includes an array of people on its internal teams. Such diversity of thought is especially important for market research, to reflect the differing preferences and viewpoints of a global customer base, and, in turn, to develop products and marketing strategies to appeal to them. "I want different views," she says. "We have to understand our patients."

Adam Stanley, global chief digital and information officer at Cushman & Wakefield Inc., a commercial real estate firm that does business in 60 countries, says homogeneity blunts creativity. "If you have five people in the room and they are all of the same background, experience, socioeconomic perspective, race, or gender, you lose a lot of value. In a lot of cases, they'll have the exact same ideas because ideas are so often influenced by a person's history." Clients also like to see diverse teams, he says. Some have specifically pointed out to Cushman & Wakefield that they are impressed with the participation of women and ethnic minorities on business projects at the firm. "This is not just window dressing," he says. "We absolutely win work due to diverse project teams."

These examples point to ways diversity can help address some of the most pressing business concerns facing our survey respondents. Increasing the pace of innovation, for example, is a top focus area for executives, and our Digital Winners are highly focused on customer experience. But managers (especially mid-managers) are not especially good at driving innovation, and most companies fail to prioritize customer experience to the same extent as Digital Winners. More organizations need to understand diversity as a business proposition and work to develop an inclusive culture like any other human-capital investment.

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Meet the Digital Winners

Oxford Economics identified a set of capabilities and practices that define the best-managed companies in the digital era, including decision-making, focus on digital transformation, employee development initiatives, and flatter organizational cultures. Our company-level analysis is built on the assessments of individual executives who rated the skills and strategies of management across their organizations. In short, Digital Winners are companies with executives who are better prepared for the digital economy.

It pays to be a Digital Winner. These companies:

■ are 38% more likely than others to report strong revenue and profit growth (76% vs. 55% of others);

■ have more mature strategies and programs for hiring skilled talent (85% vs. 64%), building diversity (56%, vs. 48%), and succession planning (72% vs. 50%); and

■ have employees who are more satisfied (87% vs. 63%) and more likely to stay in their jobs if given the chance to leave (75% vs. 54%).

Digital Winners also report 20% more diversity among the general workforce and 50% more diversity among mid-management.

How executives drive digital transformation

Embrace digital technologies
■ Execute on a company-wide digital vision
■ Embed technology in all aspects of the organization

Streamline decision making
■ Make data-driven decisions in real time
■ Distribute decision-making across the organization

Flatten the organization
■ Focus on reducing complexity and bureaucracy
■ Offer the latest technology to all employees

Build a digital workforce
■ Improve digital proficiency among managers and employees
■ Emphasize transformation readiness and strategic use of technology

Embrace digital technologies

Streamline decision making

Flatten the organization

Build a digital workforce

DIGITAL WINNERS

Developing diversity

For many companies, enhancing diversity requires developing new managerial skills. Only 36% of mid-level managers are highly proficient at managing a diverse workforce, according to senior leadership, and 27% are highly proficient at managing a global workforce. Top executives rate their own skills more highly in these areas, but with 51% saying they are highly proficient at managing diversity the numbers are still far from overwhelming. Employee ratings for the proficiency of both mid-level and senior management groups are in the same range as those provided by senior executives; employees at organizations identified as Digital Winners give their mid-managers and top managers significantly higher scores, although, again, there is plenty of room for improvement.

Building a diverse organization requires effort at many levels but particularly at the top, says Mr. Stanley. Cushman & Wakefield plans to kick off a company-wide drive for diversity and inclusion this year that will call on senior executives who are talking with potential employees to highlight the firm's diversity as a prime attraction.
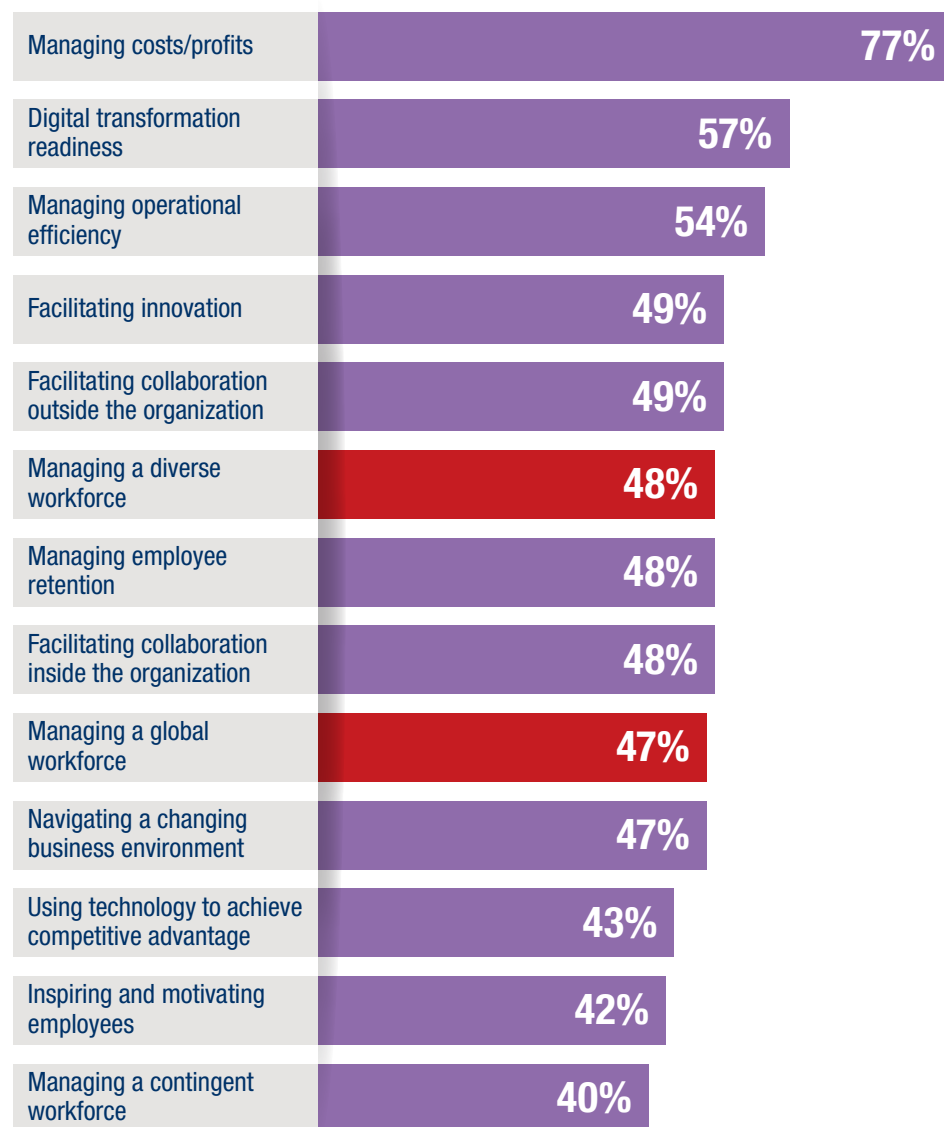
But just adding headcount in under-represented demographics will not work for the firm. A significant portion of employees' compensation is based on sales commissions, and good salesmanship depends on social connection. Participating in a diverse workplace where many different people feel comfortable is essential. "If skilled employees come in and are struggling to make relationships and struggling to get into the inner circle, they leave immediately," says Mr. Stanley.

The firm's two top-performing brokers are female, which helps inspire other women. "A lot of guys here only know other guys," he says, adding that the more diverse an employee base, the more diverse its web of professional and personal associations. In fact, diversity often takes on a momentum of its own, as job candidates often are referred by people they know at a company and social-networking effects kick in. Yet improving diversity in some discrete corporate functions is difficult. Mr. Stanley's IT group, for example, is about 70% male, while other departments, including marketing, human resources, and finance, are more gender-balanced.

One strategy to drive diversity is shaking up the organizational chart. While only one-quarter of respondents have a Chief Diversity Officer at their company, that number rises to 37% among Digital Winners. We also found that the most-satisfied employees are disproportionately likely to come from companies with CDOs.

Fig. 2: Lack of leadership holds diversity back

Q: How proficient is your organization's senior leadership in the following areas? Employees *"Highly proficient"* responses

Category	%
Managing costs/profits	77%
Digital transformation readiness	57%
Managing operational efficiency	54%
Facilitating innovation	49%
Facilitating collaboration outside the organization	49%
Managing a diverse workforce	48%
Managing employee retention	48%
Facilitating collaboration inside the organization	48%
Managing a global workforce	47%
Navigating a changing business environment	47%
Using technology to achieve competitive advantage	43%
Inspiring and motivating employees	42%
Managing a contingent workforce	40%

25% of all executives | **37%** of Digital Winners

say their company has a Chief Diversity Officer

49% of all executives | **56%** of Digital Winners

say their company leadership recognizes the importance of diversity and has taken steps to build it in the organization

Our research shows that those executives most adept at handling digital transformation are better at hiring skilled talent overall (85% of Digital Winners, compared with 64% of others) and at planning succession (72% compared with 50%). In other words, the most effective leaders pay attention to talent management issues and recognize the value of diversity, and they do not pretend it happens by accident.
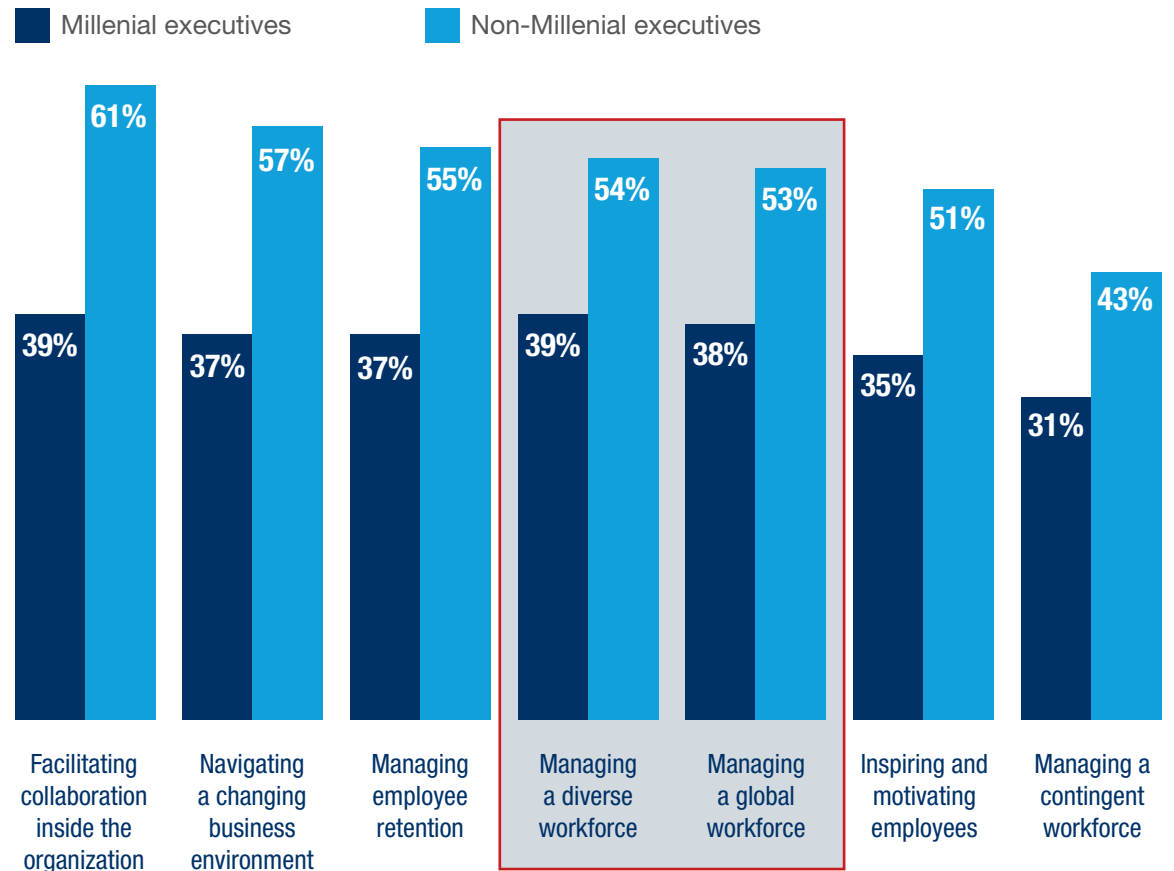
Transforming culture

Along with competitive compensation and the chance for engaging work, diversity can be a selling point for talent. Nearly half of all executives—and two-thirds of Digital Winners—say diversity has had a positive impact on their corporate culture.

This is especially true for the rising generation of workers born in the digital era. Millennials are more than 30% more likely to work for companies that are taking steps to build diversity. Yet these younger workers—already the largest cohort in the workforce—are more skeptical than other age groups of leaders' ability to navigate diversity. Millennial executives are less impressed than their older colleagues with executive proficiency in a wide range of areas, including managing a diverse workforce.

Clearly, many employees believe that attempts at diversity lack the necessary level of expertise and buy-in. At Cushman & Wakefield, Mr. Stanley evaluates the performance reviews done by his senior managers with an eye to diversity issues and sensitivities—and lets it be known that he is doing so. He checks, for example, for gender parity in performance ratings and compensation for people who do similar jobs similarly well. "It's about making sure they know I'm paying attention," he says. "It's not about blaming or shaming."

Fig. 3: Voice of a new generation

Q: How proficient is your organization's leadership in the following areas? *"Highly proficient" responses*

Legend: Millenial executives (dark blue), Non-Millenial executives (light blue)

Area	Millenial executives	Non-Millenial executives
Facilitating collaboration inside the organization	39%	61%
Navigating a changing business environment	37%	57%
Managing employee retention	37%	55%
Managing a diverse workforce	39%	54%
Managing a global workforce	38%	53%
Inspiring and motivating employees	35%	51%
Managing a contingent workforce	31%	43%

At Lilly, senior managers recently underwent training to uncover unconscious biases. Ms. Shah recalls an exercise where the résumés of potential job candidates were stripped of names. Some managers discovered that they made different hiring decisions than when they assessed the candidates knowing their names, she says. As an Indian female CIO—a rarity in the corporate world—she says she knows how important it is to create a work environment comfortable enough for all sorts of employees to contribute. Ultimately, diversity should just feel natural. "Think of the energy one has to expend when they have to worry about how they behave," she says.

Conclusion

Diversity and inclusion are much more than feel-good approaches to workforce development. Our research shows numerous areas, from employee satisfaction to readiness for digital transformation, where more advanced diversity efforts can be linked to higher performance. These issues will only grow in importance as diversity-conscious Millennials continue to enter the workforce.

Yet our research is clear that most organizations lack the skills they need to increase diversity and maximize its value. This problem starts at the top, where diversity remains scarce and leadership is lacking—only half of executives say their company is taking steps to build diversity, and even fewer report that effective diversity programs are in place. Outdated approaches to diversity and inclusion are not sustainable: without an inclusive culture, companies stand to lose valuable employees, miss out on financial rewards, and squander competitive advantage.
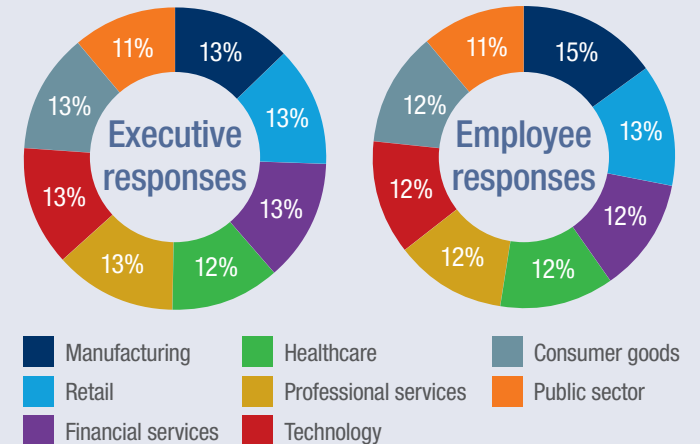
About the research

Oxford Economics surveyed more than 2,050 executives and 2,050 non-executive employees in 21 countries and across multiple industries during the second quarter of 2016. The executives surveyed include both C-levels and their direct reports; roughly 48% of the executive sample is from the C-suite. Employee roles range from entry-level to line-of-business management.

Respondents represent companies headquartered around the world, with a range of sizes (measured by both revenue and employee count).

Of the employees we surveyed, 50% are Millennials aged 18–35— the percentage expected to make up the workforce by 2020; the executive sample also includes a meaningful number of Millennial respondents (17%). Both senior executives and employees represent a broad range of functional areas, including HR, finance, IT, sales, marketing, procurement, and product development.

Respondents by industry

Executive responses
- 13% Manufacturing
- 13% Retail
- 13% Financial services
- 12% Healthcare
- 13% Professional services
- 13% Technology
- 13% Consumer goods
- 11% Public sector

Employee responses
- 15% Manufacturing
- 13% Retail
- 12% Financial services
- 12% Healthcare
- 12% Professional services
- 12% Technology
- 12% Consumer goods
- 11% Public sector

Legend:
- Manufacturing
- Retail
- Financial services
- Healthcare
- Professional services
- Technology
- Consumer goods
- Public sector

Respondents by region

Executive responses
- 39% APJ
- 15% Latin America
- 24% North America
- 24% EMEA

Employee responses
- 39% APJ
- 15% Latin America
- 24% North America
- 24% EMEA

Legend:
- APJ
- Latin America
- North America
- EMEA

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