

Cultural Dynamics in the Workplace™

5 Key Factors in Driving Successful DEI Initiatives
to Achieve Business Outcomes

Research from Leading NOW's Center for Diversity & Inclusion

EXECUTIVE SUMMARY

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Why have DEI Initiatives Failed to Deliver the Business Outcomes Promised?

For the past decade, research studies by organizations like Boston Consulting Group, Deloitte, McKinsey, WSJ, and others have included inspirational statistics for Business Outcomes achieved by organizations defined by the research as “Diverse”.

These studies state that these “Diverse” organizations are (among other things):

- **35%** more likely to have financial returns above industry average
- **70%** more likely to capture new markets
- **75%** more likely to see ideas become productized
- **87%** more likely to make better decisions
- Will experience **19%** higher innovation revenue
- Had an average annual stock return of **10%** over five years, versus 4.2% for the least-diverse companies

Why have some organizations been able to reach these outcomes, and others that have implemented DEI Initiatives into their organizations failed to achieve any?

This question consequently led to others:

- What are the barriers preventing DEI Initiatives from being successful?
- What is the correlation between successful Business Outcomes and DEI Initiatives?
- What are the key factors that deliver successful DEI Initiatives to drive desired Business Outcomes?

Breaking down the discoveries made during the Think Tank sessions of the Center for Diversity & Inclusion, the following outlines the thought leadership, and identifies the key factors necessary to leverage DEI Initiatives to drive successful Business Outcomes.

Diversity refers to any dimension which can be used to differentiate groups from one another. The diversity dimensions include but are not restricted to gender, religion, sexual orientation, race, ethnicity, class, education, and disability.

Inclusion involves bringing together and harnessing these diverse perspectives and resources in a way that is beneficial. Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection—where the richness of ideas, backgrounds, and perspectives are harnessed to create business value.

Equity is the successful result of both of the above. It is a state rather than a set of behaviors. Equity is what happens when all members of a diverse population of employees have equal opportunities and support to succeed and develop to their full potential.

What are the **3 Barriers** to Successful DEI Initiatives?

Exemplars of identified barriers to successful DEI Initiatives were reviewed, discussed, and ultimately categorized under these three tenets:

1. Leaders are Undermining DEI Initiatives

Research cited in an article in *Chief Executive* stated that nearly 4 in 10 (39%) of leaders at the Vice President level and above believe that DEI Initiatives are a waste of organizational time, effort, and money. And Fundera reports that 41% of managers state they are “too busy” to implement any kind of diversity and inclusion initiatives. Without the demonstrated support for DEI Initiatives amongst the leadership of any organization, grass roots efforts by lower-level employees have not been successful in achieving any demonstrable impact to building a Culture of Inclusion.

2. Detrimental Attitudes by the Majority in Leadership Roles

- **Belief in Meritocracy in the Workplace**

In a *Wired* article on Meritocracy in the tech industry, it is described as: “...everyone has the right to express their opinions and are encouraged to share them openly and often. Those opinions are listened to and decisions are then made based on those that are deemed the best.”

While this concept of Meritocracy is aspirational, in no way does it represent the experiences for underrepresented talent, who are rarely invited to the meeting, asked for their perspective, or are listened to if they have an opportunity to express it.

- **Unrecognized or Unacknowledged Advantage**

For many, Privilege is a difficult and uncomfortable construct to grasp. According to Author and Sociologist Michael Kimmel, “Privilege is invisible to those who have it.”

In an article by social worker Kathleen Ebbitt in [Global Citizen](#), she states:

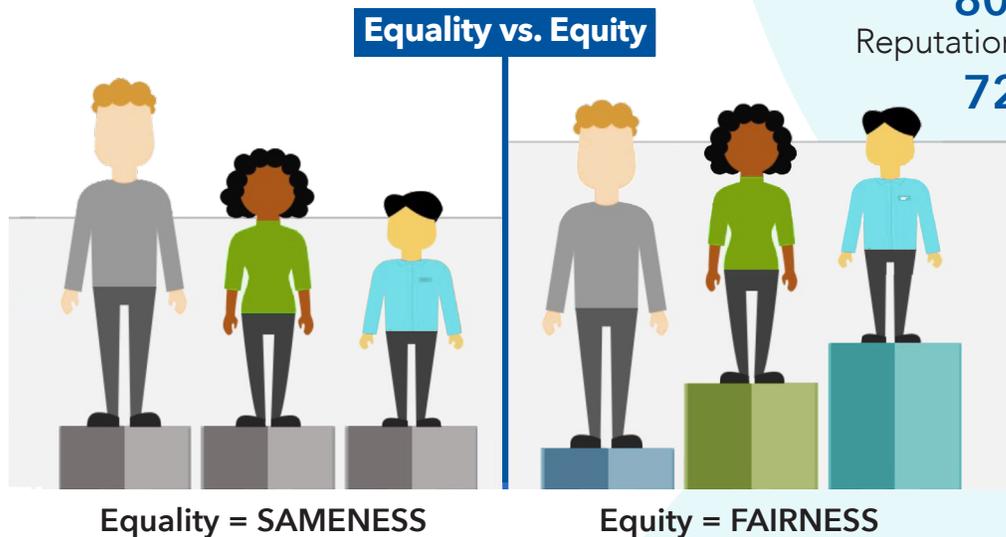
“Having privilege does not mean that an individual is immune to life’s hardships, but it does mean having an unearned benefit or advantage one receives in society by nature of their identity.”

And in the **TEDxEMU** Talk by Justin Ford, he defines Privilege as “Access to or enjoying rights or advantages simply by membership of a particular group or identity,” and provides guidance on how to recognize the dimensions of your Privilege and what to do with it.

- **Misconstruing Equality vs. Equity**

There is a distinct lack of understanding by the majority of the difference between Equality and Equity. While the terms may sound similar, the implementation of one versus the other can lead to dramatically different outcomes.

Equality means each individual is given the same resources or opportunities. Equity recognizes that each person has different circumstances and allocates the exact resources and opportunities needed to reach an equal outcome.



Why is Equity so Important?

Our research has shown that most employees believe their organization should be investing in DEI, and are willing to leave their current role for an organization that demonstrates greater Inclusion.

79% Important for Recruitment

71% Important for Retention

80% Important for Reputation with Customers

72% Important to the Financial Success of the Business

3. DEI has NOT been elevated to a Business Initiative in most organizations

Business Initiatives are a result of strategic planning discussions and aim to create a better plan, a better company culture, or better workplace performance to increase company profits. Every business initiative must have a dedicated leader with success metrics in place to track progress. DEI Initiatives struggle to meet this threshold as many do not have an experienced leader, are not funded, and do not have quantifiable measures in place to document progress.

According to the Diversity, Equity and Inclusion Employer Trends 2021 XpertHR Survey Report:

On DEI Leadership

Over 50% of respondents noted that the CHRO is responsible, with 17% noting that no one is officially responsible.

On Funding

The majority (66%) of organizations do not have a separate budget for DEI activities.

On Measurement

DEI Audits are uncommon with only 14% of respondents noting that their organization has conducted one.

Introducing Cultural Dynamics in the Workplace™

In setting out to identify the root cause for why organizations were not reaping the benefits of their DEI Initiatives and achieving those aspirational Business Outcomes, it was determined that it was a combination of interconnected dynamics, driven by leadership, that over time is impacting the culture of the organization and the experiences of underrepresented talent.

In psychology there is a term: Cultural Dynamics, which represents the formation, maintenance, and transformation of cultures over time.

When we looked at the combination of the 3 barriers identified, we recognized the importance of removing them to engage all employees, redirect the resources and policies of the organization, and to open the pipeline for underrepresented talent to reach critical leadership roles, in order to reach those aspirational Business Outcomes.

Redefining Cultural Dynamics to “Cultural Dynamics in the Workplace,” we have created the following:

Cultural Dynamics in the Workplace is the interplay of the **Culture of an Organization**¹ together with **Inclusive Leadership**², and is the catalyst to successful Diversity, Equity & Inclusion Initiatives producing measurable Business Outcomes.

¹Culture of the Organization = Mindsets of leaders, Opportunities for talent & Policies that create or impede Inclusion.

²Inclusive Leadership = Transforming leaders' Inclusive behaviors and decisions PLUS developing the leadership competencies of underrepresented talent.

IV.

What are the **5 Key Factors** of Cultural Dynamics?

By addressing the 5 key factors identified in the definition of Cultural Dynamics in the Workplace, organizations will begin removing the barriers currently in place preventing DEI Initiatives from resulting in successful Business Outcomes.

1. Mindsets of Leaders

In the 1930's Mindsets were defined as: Habits of mind formed by previous experience. These entrenched beliefs drive decisions and actions that impact the experience of every employee. As noted in barrier #1 above, if ~40% of leaders and managers do not see the value / benefit of DEI Initiatives and continue with business as usual, it is certain that these initiatives will fail.



Leaders are the stewards of an organization's culture; their beliefs and mindsets reverberate throughout the organization.

– Harvard Business Review



2. Opportunities for Talent

The concept of a Level Playing Field is a concept about fairness, not that each player has an equal chance to succeed, but that they all play by the same set of rules. When looking across the opportunities offered to employees, it is critical to confirm that there is equal opportunity afforded to all employees, regardless of their position within the organization.

3. Corporate Policies & Hidden Bias

When taking the Level Playing Field concept and applying it to corporate policies, it is evident that hidden bias exists within the language of many of these policies. While organizations have determined this is an area for improvement, the review and adjustment to these policies must be a priority.

4. Leaders' Inclusive Behaviors and Decisions



What you do speaks so loud I cannot hear what you are saying.

– Ralph Waldo Emerson



While most DEI Initiatives include communication plans, programs for employees to attend, and reviews of corporate policies, one of the most important elements is frequently overlooked or not addressed.

It is the behaviors of leaders within the organization. As the quote “What you do speaks so loud I cannot hear what you are saying,” so rightfully states, actions and behaviors of leaders will or will not drive the change sought.

As evidenced in the book *Inclusive Leadership* “Programmes and initiatives alone will not change the culture...At best, you are looking for mindset and behavioural change.”

Look at how leaders are behaving with different employee groups. Who are they mentoring? Who do leaders seek out for advice, knowledge, input? Who is assigned to lead projects? All of these behaviors are visible and can strongly influence the success of DEI Initiatives.

Inclusive Leadership is a competency that needs to be developed in all leaders.

5. Development of Underrepresented Talent’s Leadership Competencies

All too often statements are made about the lack of available “diverse” talent to fill senior leadership roles within organizations. The default reaction is to blame this situation on the lack of recruiting diverse talent. Where this may indeed be an issue for an organization, it is not THE issue. Once employed, there must be intentionality to invest in and develop this talent, specifically focused on providing an equitable environment.



The single biggest way to impact an organization is to focus on leadership development. There is almost no limit to the potential of an organization that recruits good people, raises them up as leaders and continually develops them.

– John Maxwell



V.

How do Cultural Dynamics Drive Business Outcomes?



...despite all of the rhetoric about the value of diversity, white women and people of color remain seriously underrepresented in many industries and in most companies’ senior ranks. That lack of progress suggests that top executives don’t actually find the business case terribly compelling.”

– Harvard Business Review: Getting Serious About Diversity



While we agree with the stated underrepresented status of white women and people of color, **we disagree with the second part of this statement.**

The problem is not that top executives don't find the business case for DEI Initiatives to be compelling. They do.

The problem, however, is twofold:

First -

The **correlation of how DEI Initiatives will drive the Business Outcomes** – which is what the top executives do care about – **is not being made by those leading the Initiatives.**

And Second -

The **DEI Initiatives are not incorporating all of the Cultural Dynamics in the Workplace** that need to be addressed in order to reach the business outcomes.



We have a very diverse environment and a very inclusive culture, and those characteristics got us through the tough times. Diversity generated a better strategy, better risk management, better debates, and better outcomes.

– Alan Joyce

