

ARTICLE

Creating an inclusive culture: Five principles to create significant and sustainable progress

The prize is bigger than ever: companies that build an inclusive culture can leapfrog the competition and create distinctive competitive advantage for their organizations.



Companies can no longer thrive with average performance on diversity, equity, and inclusion (DE&I). Increasingly, having an inclusive culture is becoming the value proposition that sorts out the winners from the losers in the war for talent. In our work across sectors and regions, we see that to attract and retain top talent, leaders must create an environment where individuals from all backgrounds can flourish and contribute their full set of skills and capabilities. Companies that don't will struggle to compete.

And the benefits of an inclusive culture go far beyond the ability to attract top talent, as an increasing body of research clearly shows. Indeed, the best leaders know that an inclusive culture is a strategic asset that can accelerate growth, innovation, and performance. This creates a virtuous circle where diverse and inclusive companies attract and retain the best talent and develop higher-performing, more innovative teams. They also better reflect their markets and anticipate and meet changing customer needs, which, in the long run, increases their market share. In today's volatile market, leaders can't afford to overlook such compelling advantages.

Our experience suggests that successfully shaping inclusive cultures requires a company-wide approach that starts with activating purposeful leadership, followed by creating space for personal change; sustaining broad engagement with the whole workforce; embedding inclusion in systems, processes, policies, and day-to-day operations; and—at the core—building visible representation at all levels and across the business.

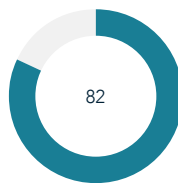
Good intentions, little impact

The good news is that leaders today are mostly well intentioned and committed to DE&I. They tell us that they are increasingly putting inclusion at the heart of how they think about high-performance cultures.

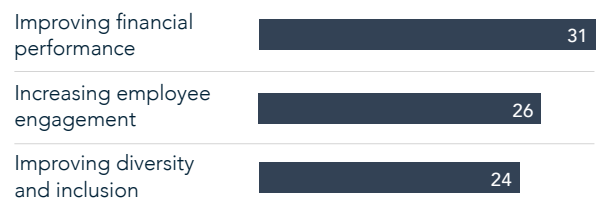
One of our recent studies shows that 82% of CEOs from some of the world's largest organizations have focused on culture as a priority in the past three years, and that increasing employee engagement and improving diversity and inclusion are two of the top three goals behind this focus.¹

Inclusion is one of the top goals for culture shaping (%)

CEOs who focus on culture as a priority



Top three reasons for focus on culture



Source: Rose Gailey, Ian Johnston, and Andrew LeSueur, *Aligning Culture with the Bottom Line: How Companies Can Accelerate Progress*, Heidrick & Struggles; sample size: 500 CEOs

¹ Rose Gailey, Ian Johnston, and Andrew LeSueur, *Aligning Culture with the Bottom Line: How Companies Can Accelerate Progress*, Heidrick & Struggles, on heidrick.com.

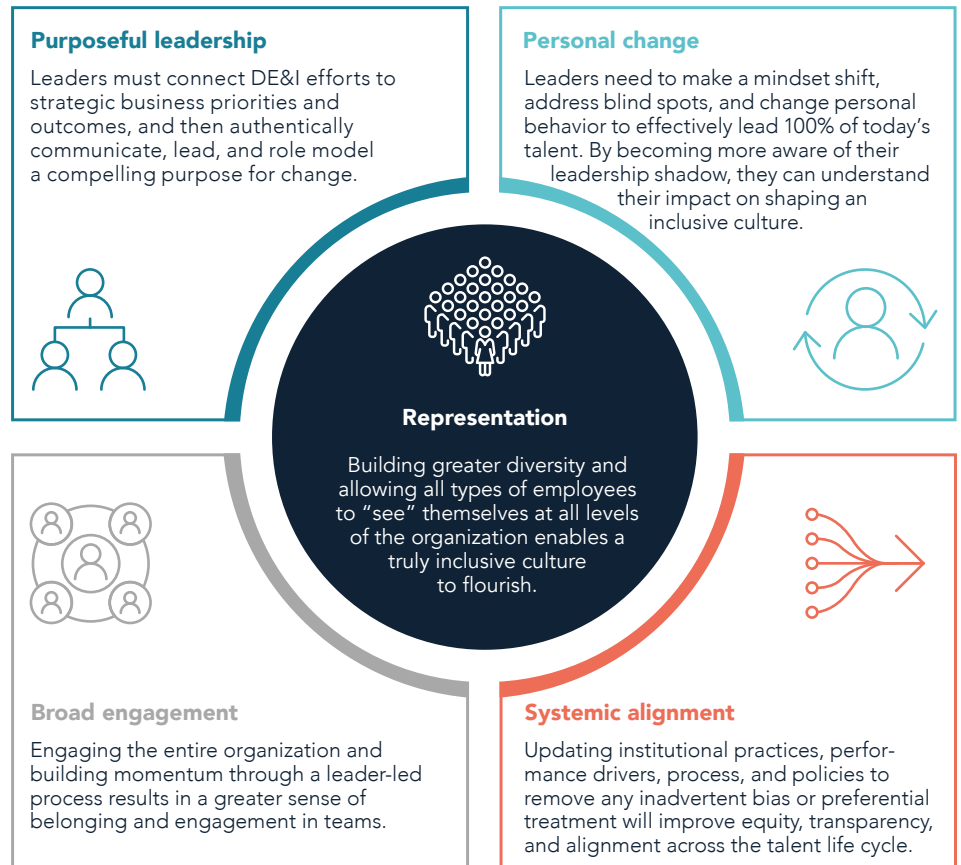
The solution requires a shared commitment to drive a fundamental cultural shift and the development of new, more inclusive leadership mindsets, behaviors, and skills.

The bad news, however, is that many leaders and organizations that have invested considerable time and resources on DE&I efforts haven't seen significant impact from those efforts. Indeed, a previous Heidrick & Struggles study showed that only 27% of leaders reported that their company was largely inclusive.²

So what's getting in the way of progress? Historically, too many efforts to build inclusive cultures have relied on a box-ticking approach, including activities such as unconscious bias training or leadership programs targeting only women or minorities. Our experience suggests that success requires a company-wide approach, driven by leaders, in service of the company's strategy and purpose. The solution requires a shared commitment to drive a fundamental cultural shift and the development of new, more inclusive leadership mindsets, behaviors, and skills.

At Heidrick & Struggles, we have spent 40 years helping companies shape cultures that support their business objectives. In this time, we have identified four core principles that underpin all sustainable, healthy, high-performing cultures: purposeful leadership, personal change, broad engagement, and systemic alignment. And while we've always understood the importance of inclusion, our understanding of the relationship among diversity, equity, and inclusion has matured substantially over the past decade, causing us to add one more principle to our model for developing inclusive cultures: representation.

Five principles for creating an inclusive culture



² Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, on heidrick.com.



As role models and change agents, leaders must talk authentically about why diversity and inclusion matters to them, why it is a strategic business imperative, and how it links to the organization's purpose.

1. Purposeful leadership: A business-driven, leader-led process to activate and inspire change

What CEOs and other senior leaders say and do about inclusion is the most critical factor in whether their organization succeeds or fails in its DE&I efforts. Too often, however, DE&I is delegated to HR, and the most senior leaders do not visibly commit or lead inclusively, nor are they held accountable for DE&I results. Yet people take their cues from their leaders, observing their behaviors to determine how much of a priority inclusion really is for them and noting any inconsistencies between their actions and their words. That's why it is critical that leaders, starting with the top team, are aligned with the objectives of their company's DE&I strategy and are committed and prepared to lead the change.

As role models and change agents, they must talk authentically about why diversity and inclusion matters to them, why it is a strategic business imperative, and how it links to the organization's purpose. They must be able to communicate that sense of purpose to ardent believers and skeptical challengers alike.

For example, the executive committee of an asset management company knew they were increasingly lagging behind their peers in their ability to attract female talent, particularly in investment roles, yet they were convinced that attracting top talent and being known as an employer of choice was critical to making the best investment decisions and reflecting their global portfolio of clients. So they committed to a series of interactive working sessions to discuss and debate their DE&I ambition, strategy, and road map. After getting greater clarity on the connection between DE&I and their business strategy, they defined the specific year-on-year progress they expected to see on gender representation and the kind of culture they wanted to build. They then committed to specific actions as an executive team and as individual leaders. The team shared their plans with their board, employees, investors, and clients and made a commitment—both internally and externally—to being held accountable on their progress for delivering measurable impact and results.



2. Personal change: Building inclusive mindsets and behaviors

To make the behavioral changes necessary to become fully inclusive, leaders must usually address some personal blind spots as well as shift their mindsets. Most often, we see that leaders need to improve their ability to connect with employees and potential employees by truly valuing individual differences. This means appreciating the full range of individuals' unique life experiences and therefore their potential to contribute to the workplace. Once leaders do this, the next step is to learn to create an environment where everyone feels that they belong. This leadership capability is critical for building an inclusive culture. However, effectively building inclusive mindsets and behaviors takes time and often gets overlooked in the rush for concrete actions and quick, quantifiable results.

Furthermore, many companies that do focus on mindsets have done so in the context of broader training programs including topics such as unconscious bias, but research has proved that framing the conversation in this way can create backlash and even reinforce the very stereotypes it aims to eliminate.³ It also sets an unnecessarily negative tone when talking about inclusion, which precludes many from engaging with the topic at all.

³ Francesca Gino and Katherine Coffman, "Unconscious bias training that works," *Harvard Business Review*, September–October 2021, hbr.org.

A more effective approach, in our experience, is framing personal change in a more inspirational, positive tone and helping leaders to consciously develop the mindsets and behaviors required to create inclusive organizations. Through our research, we have identified five inclusive leadership mindsets that shape behaviors: self-awareness, curiosity, courage, vulnerability, and empathy. These mindsets are critical for leaders' ability to create an environment where all employees feel respected, valued, and able to contribute their best work. It is important that companies create safe spaces for leaders to learn and practice these mindsets as well as to celebrate those who are already excelling in this arena.

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A global mining company's leadership team, for example, realized that they had to evolve their leadership approach to deliver on their strategic business objectives, which included further global expansion and increased innovation. They knew this would require new ways of working and effective management of a multigenerational workforce. Despite their grueling schedules, the executive committee and the top 90 leaders who reported to them took the time to participate in an inclusive leadership program over a period of several months. They started by exploring what their roles as leaders needed to be to build a more inclusive and resilient organization, and how to adopt the five inclusive mindsets to lead more inclusive and higher-performing teams. To supplement their team-based learning, they each participated in virtual-reality coaching sessions to practice these inclusive behaviors (for many, for the first time) in a safe environment. By the end of the program, each leadership team had created a charter of commitments and actions to hold themselves accountable for their new ways of leading, which included building a stronger sense of belonging for their employees. Leaders across the business now continue to build on the momentum they have created, in part led by an inclusion community of practice, co-chaired by the CEO.



3. Broad engagement: Creating a sense of belonging for all and knowing how to bring people along on the journey

When people thrive, business can thrive. In an inclusive environment, people feel valued, respected, and supported. This allows them to feel a stronger sense of connection and the positive emotion of belonging. One result is a deeper sense of engagement, so people feel passionate about their jobs and are committed to delivering their best work. Research has shown that companies that create an environment where all voices can be heard are six times more likely to be innovative and agile and eight times more likely to achieve business outcomes.⁴

It is therefore critical for leaders to get fact-based insights into the extent to which people feel a strong sense of belonging and engagement. Leaders need granular, disaggregated data and insights from different employee groups (typically segmented by demographic groups) to understand differences in experience. This is the first step in identifying inclusion problems and beginning to consciously focus on more effectively drawing in disengaged or marginalized talent. Beyond gathering data, creating more intimate settings to listen to people's stories, or open forums where people can discuss and debate and be heard by others, is a powerful way to add the human touch and gain additional valuable insights.

⁴ Juliet Bourke, *Which Two Heads Are Better than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions*, Sydney, Australia: Australian Institute of Company Directors, 2016.

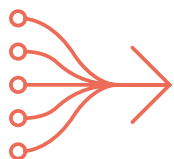
Many DE&I efforts have not included their majority populations in the conversation and have unintentionally created a sense of exclusion among many.

In today's context, many companies are looking for new, innovative ways to engage with their employees and create more frequent feedback loops. A global retail organization recently used an AI-enabled digital conversation to engage 1,000 people in a live exchange about their experiences of inclusion and belonging, as well as to brainstorm ideas about what the company could do to create an even more inclusive culture. Participants were able to express their views anonymously, ensuring that everyone had an equal voice in the conversation, not just the most senior or loudest participants. As people were able to see others' responses and vote on the extent to which they either agreed or disagreed with them, a clear picture of sentiments and priorities emerged. The retailer was able to break down the results by demographics, to derive insights into where there were differences in the experiences between men and women, between minority and majority groups, and among generations or locations.

Once leaders understand how inclusive their organizations are, they need to know how to bring everyone along on the journey. Inviting everyone to join the conversation about inclusion is particularly valuable when the conversation about DE&I has started to heat up. Many people may simply be afraid to say or do the wrong thing and therefore hesitate to openly share their points of view and experiences. Ironically, many DE&I efforts have not included their majority populations in the conversation and have unintentionally created a sense of exclusion among many. For example, the sustained focus on gender balance has left many men feeling left out or even worrying about the future of their careers.

That's why one crucial element of broad engagement is that leaders authentically communicate an inspiring and empowering message to everyone in their organization about how inclusion can make their company a better place for all, as well as a more successful business.

A global professional services firm wanted to create a more unified, inclusive culture as it transformed from a mix of siloed business units to a more streamlined way of going to market. Spanning global operations—from the United States to Europe and Asia Pacific—the firm's leaders knew they needed to engage their people in a conversation about inclusion that resonated in very different cultural contexts. They started by creating a video montage of voices from across the organization about individuals' views and experiences of inclusion. They then mixed and matched 800 leaders from around the world in small group discussions about what inclusion meant for their own organizations and how they could go about building it. Those discussions served as the foundation for a digital learning program that was then rolled out to 45,000 employees worldwide in 18 languages.



4. Systemic alignment: Embedding inclusion in processes, policies, systems, and day-to-day business operations

For inclusion to be sustainable, it must become embedded into an organization's systems, processes, and policies. Companies must review each and remove any biases that may be holding certain employee groups back or resulting in different systematic outcomes for different groups. Leaders need to do this work across all the HR touchpoints, including hiring, performance management, assessment, promotion, and reward. They should use data insights as a guide, analyzing by subprocess, result, and demographic group—for example, checking the recruitment pipeline data to ensure a proportional representation of groups through each stage of the process. If the proportion of female or underrepresented candidates suddenly drops off at one point in the process, it's a clear sign that the process could be biased and likely requires an evidence-based redesign. Taking a similarly fresh view of policies and benefits can also reveal opportunities to be more inclusive; for instance, companies could convene a group of diverse stakeholders to undertake a comprehensive review of benefits, particularly policies such as parental leave and sick leave, as well as medical and mental health benefits.

We saw how addressing inclusion improved systemic alignment when a global travel company methodically assessed its HR policies and processes to see where the gaps were relative to best practices. They facilitated a robust debate with senior stakeholders on what good looks like, where they had the greatest opportunities for improvement, and how they could link inclusion to bottom-line financial performance. One of the areas they focused on in particular was the analysis of their current retention rates; they were able to demonstrate that an improvement in retention rates would have an impact on the bottom line. In addition, they also observed that culturally diverse, junior talent didn't progress beyond lower levels of the organization, and therefore the group challenged themselves to be more creative and intentional in developing their underrepresented talent into more senior levels of responsibility.

However, systemic alignment is not only about embedding inclusion and removing bias from HR touchpoints and communications; leaders also have an opportunity to challenge the organization to see how more intentional inclusion can accelerate performance in strategic areas such as innovation, research and development, client relationship management, or identifying new growth opportunities.

Leaders at an industrial company sought to bring an inclusion lens to their safety program. For years, they had invested in improving the physical safety of their employees and were now keen to explore how to deepen the conversation to include psychological safety. By creating a safe, speak-up culture, they were confident that they could not only create a more inclusive environment but also improve their record on "near misses" and physical accidents. In another case, a global manufacturing company boosted its innovation track record by being more inclusive in its annual innovation contest, opening it up to a broader range of employees to gather a wider and more diverse range of ideas. Idea generation was multiplied by five times, just by thinking more inclusively and inviting more people to participate.

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5. Representation: Intentionally evolving the mix of talent to better reflect today's markets and talent pools

For a company to be inclusive, people must be able to “see” themselves in the organization, particularly in leadership roles. However, many companies still have very homogenous leadership teams, dominated by one gender, culture, or nationality, with perhaps a single “token” representative of another group. Tokenism is no longer acceptable, and leaders should avoid tactics such as appointing a few women in functional leadership roles such as HR or communications, or a few people from different cultural backgrounds to represent emerging markets. The challenge is to build balanced and representative teams across business units, geographies, and functions, consistently and sustainably. This requires leaders to invest in developing a robust pipeline of talent, rather than just making a few quick-fix hires—and these changes need a sustained focus over time.

Leaders must go beyond good intentions to focus intentionally on identifying and attracting external talent from ever-wider sources, as well as constantly reassessing their pipelines and succession planning to identify and fast-track an appropriately diverse mix of top talent internally. Contrary to the myth that diversifying the workforce could mean lowering standards, going through the process of reviewing job requirements and removing items that are not specifically tied to success in roles (for example, attending a prestigious university or previous employment with a top brand) can result in selecting higher-performing *and* more diverse employees. Stripping away cultural preferences and historical precedents and relying more on evidence-based practices, such as task-based assessments, is a win-win for everyone.

A US-based financial services company took action to accelerate its progress toward gender and ethnicity balance through a complete overhaul of its talent attraction, recruitment, and retention processes. Leaders started by redesigning their talent identification processes, expanding their definitions of talent and capability. They went through an exercise to understand the talent market and where they could find diverse talent with the specific capabilities they were seeking, and then developed more inclusive recruiting practices to better attract and recruit those people. Leaders also shifted their approach from a role-by-role process to an enterprise-wide approach, seeking to understand who was available across all the roles they typically hire for in a given period and finding additional avenues to bring more diversity into their organization by, for example, requesting introductions to potential executives from underrepresented groups on a regular basis, with the intent of building long-term relationships rather than just filling open vacancies. Finally, the firm's leaders created bespoke onboarding and acceleration programs to increase engagement and retention of their new talent and underwent a succession planning and pipeline analysis to ensure that it was fair and inclusive and that it offered career development and progression for all employees.

Measuring impact over time

Despite the complexity of integrating DE&I efforts across the organization, and the many ways in which organizations can assess their progress against such efforts, many companies are still relying exclusively on basic engagement surveys for DE&I insights. Although such surveys can give some limited insights into people's different experiences when the data is disaggregated by demographics, their ability to assess progress in building inclusion is often beyond the remit for which they were designed. A more effective measurement strategy looks at progress against each of the five principles we have presented for creating an inclusive culture:

Principle	Purposeful leadership	Personal change	Broad engagement	Systemic alignment	Representation
Goal	<p>Hold leaders accountable for demonstrated progress in building and managing diverse and inclusive teams</p> <p>Measure the impact of improved inclusion on tangible business outcomes</p>	<p>Demonstrate inclusion as a leadership competency</p>	<p>Measure employee sentiment on inclusion, belonging, and engagement</p>	<p>Check for bias in processes and policies</p>	<p>Track progress in building visible representation</p>
How to measure	<ul style="list-style-type: none"> • Evidence of building diverse teams in area of responsibility • Evidence of fostering inclusion in area of responsibility • Progress against company's DE&I objectives and targets • Correlation between increased inclusion and other business key performance indicators such as performance, productivity, safety, innovation, and growth 	<ul style="list-style-type: none"> • Leadership assessment tools that measure inclusive behaviors • 360-degree feedback, with inclusion-related questions • Feedback from executive coaches and/or simulation specialists 	<ul style="list-style-type: none"> • Employee surveys with deeper-divide questions on inclusion, disaggregated by demographics • Focus groups, organized by demographic populations, to surface stories and experiences • Digital conversations/pulse checks focused on inclusion and belonging, disaggregated by demographics 	<ul style="list-style-type: none"> • Talent acquisition—demographic breakdown at each stage of the talent pipeline: candidate pool, applicants, long list, short list, interview, offer, and acceptance; benchmarks against competitors in talent market; % of balanced slates • Employee value proposition—feedback from candidates and other external sources • Development—proportional mix of participants in development programs, international assignments, and secondments • Promotion—proportional representation in career progression; time in roles; promotions; high-potential talent designation; composition of succession plans • Rewards—compensation review and analysis by demographics • Retention—proportional mix of voluntary and involuntary departures; confidential exit interview feedback • Take up of key policies—proportional adoption of flexible working, parental leave, return-to-work programs, and so on 	<ul style="list-style-type: none"> • Talent data, disaggregated by demographic group • by level • by business units • by functions (line versus staff) • by geography • Evolution over time (past three years)

In an age when diversity and inclusion are top of mind for almost every organization, and talented professionals are both more discerning and more sought after than ever before, leaders must treat building an inclusive culture as a priority with real business implications. There's no doubt that companies with outdated cultural practices will be challenged to find their way in the marketplaces of the future.

Companies that can engage and activate 100% of their employees, however, will benefit from their wealth of perspectives, the discretionary effort they're willing to contribute, and the virtuous circle that is set into motion by winning the war for talent. In an age of increasing disruption and volatility, inclusion will act as an accelerator of resilience, agility, and innovation.

Knowing this, leaders must focus their time and resources on aligning their business strategy with their inclusion endeavors, putting these inclusion principles to work, and then holding themselves accountable.

Where is your organization in activating the five principles for creating an inclusive culture?

Questions for leaders to ask themselves:



Purposeful leadership

Are your leaders visibly acting as change agents and role models in creating an inclusive culture?



Personal change

Is inclusion explicitly part of the expectations of what good leadership looks like in your organization?



Broad engagement

Do you have a deep understanding of people's different experiences of inclusion and belonging?



Systemic alignment

Have you sufficiently assessed your policies and processes to ensure that they are accelerating inclusion rather than getting in the way of progress?



Representation

Has visible progress been made in building a mix of representation at all levels and across all parts of the business?

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