Inclusive culture guide for CEOs

DIVERSITY PROJECT

BUILDING INCLUSION IN
INVESTMENTS & SAVINGS

PRACTICAL STEPS TO LEVEL THE PLAYING FIELD AND CREATE A SENSE OF BELONGING

PART 1 DECIDING THE STEPS TO TAKE

www.diversityproject.com/CEOInclusiveCultureGuide
#Reset4Inclusion   #InclusiveCulture   #Belonging   #LevelPlayingField

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FOREWORD

PUT SIMPLY, LEADERS WHO EMBRACE THESE PRINCIPLES WILL HAVE FASTER GROWING BUSINESSES AND WILL LIKELY DEVELOP AND ATTRACT THE BEST TALENT IN A COMPETITIVE MARKETPLACE...

As a CEO of an asset management company in the UK, I have the privilege of leading a diverse and inclusive team which is trusted to manage investments on behalf of individuals, corporates and financial institutions around the world. When Jayne asked me if I would write this foreword, I immediately said yes.

I am a passionate believer in the value creation that an inclusive, diverse and equitable culture can generate. Despite reading many publications on the subject, I still felt that a practical guide was missing for leaders in the investment & savings industry.

As a fiduciary manager of clients' money, our 'raison d'etre' is to create sustainable long-term value for our investors. It is clear from empirical data that more inclusive, diverse and equitable companies are on average better run and better places to work, grow faster, create more opportunities for employees, and in turn deliver more shareholder value. Naturally, these are factors we consider when we select companies in which to invest via our environmental, social & governance screening, stewardship and engagement processes. We also support inclusion proactively within our own investment teams, leading to cognitive diversity and more robust decisions-making and investment outcomes.

It is, of course, not just a matter of how we invest - it is also about 'practising what we preach' across all areas. As a CEO and leader, one of my key priorities is to champion an inclusive culture within my own organisation. In my view, in order to create a truly diverse and equitable environment with a level playing field of opportunities for all, and a true sense of belonging where each colleague can bring their authentic selves to the workplace, one must start with inclusion and promote the diversity of thought.

Regulators, asset owners and investment consultants have also recognised the importance of inclusivity in the industry and for society as a whole. They are increasingly challenging our industry to demonstrate that we are adopting more progressive inclusivity strategies for our firms and in the way we invest.

As an industry, it is imperative that we better promote this inclusivity value creation thesis. Put simply, leaders who embrace these principles will have faster growing businesses, will likely develop and attract the best talent in a competitive marketplace and ultimately create more opportunities for all within their firms. Inclusivity, diversity and equity should therefore be as much a matter for the majority, as it is for minority groups.

Jayne's guide is relevant not only for CEOs and their executive teams, but also for line managers within their organisations, as they are the ambassadors of any cultural change

programme. The guide is written with time poor executives in mind, providing helpful insights in a practical and succinct way. It also offers different options to consider when implementing and evolving people strategies, including talent development, recruitment, mentoring, role modelling and flexible working ideas.

I have personally found this guide extremely helpful as I refine my own thinking as a CEO and the global sponsor of my firm's diversity, equity and inclusion programme. I would highly recommend it to any leader who is looking to create a more inclusive culture within their own organisation.
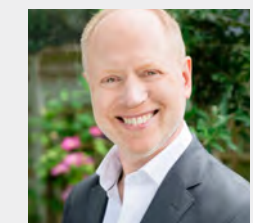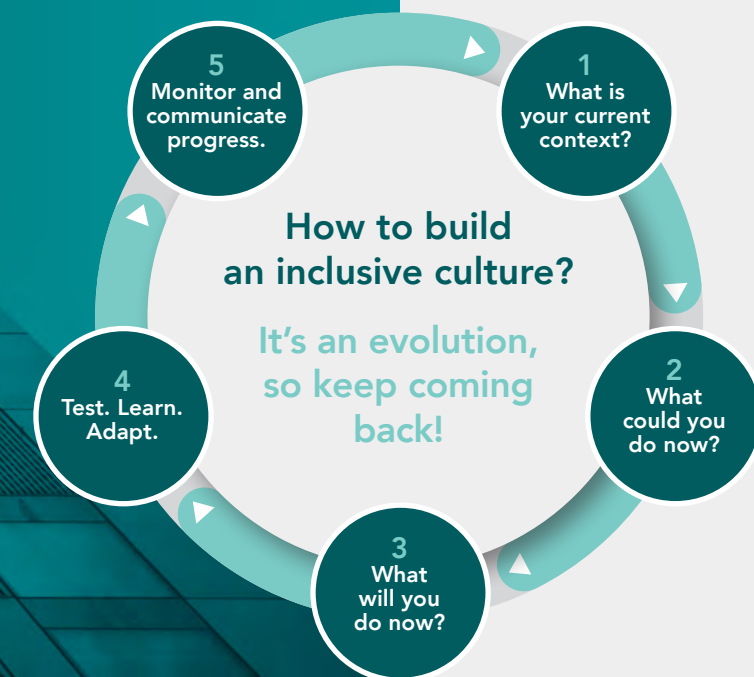
Stuart White
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Trustee Director & Chair of the Investment Committee, HSBC Bank Pension Trust (UK) Ltd
Member of the Advisory Board of the UK Diversity Project

ABOUT THIS GUIDE

The cycle: **How to build an inclusive culture?** It's an evolution, so keep coming back!

1. What is your current context?
2. What could you do now?
3. What will you do now?
4. Test. Learn. Adapt.
5. Monitor and communicate progress.

"EVERYTHING SHOULD BE MADE AS SIMPLE AS POSSIBLE, BUT NO SIMPLER"
Albert Einstein

Why?

Successful organisations are powered by their employees' diverse perspectives, skill sets and life experiences. An inclusive culture captures this with its sense of belonging and fairness that enables people to bring their full selves to work.

What is it?

This guide provides CEOs in the investment and savings sector (Sector) with practical steps to achieve this, no matter where they are starting from.

It is designed as an aid as you develop your playbook and decide the steps you will take now. It is intentionally not a book, as it aims to be succinct, and it is not prescriptive as this would ignore your context, which is essential. Instead, it takes you through your options, based on what has been seen to work.

How is it structured?

Built on the two pillars of frameworks and people, supported by data and policies, the guide is split into three parts: Part 1 takes you through deciding the steps to take now; Part 3 recaps the key points and provides checklists and resources; Part 2 digs deeper if you want to.

What is its scope?

The intention is to have a holistic view of diversity, however, due to the availability of research, some of the content covers predominantly women. Regular, granular monitoring of the impact of your actions will help to identify any unintended consequences.

What is it based on?

Much has been/is being said and written about inclusion, equity and diversity, some of which is contradictory, some of which claims causation when the evidence only shows correlation, much of it is from a specific demographic perspective and much of which is from bottom-up. Leveraging behavioural science[1], this guide distils the latest thinking to provide a holistic, top-down perspective and practical steps to move the dial.

Who can use it?

It is written for CEOs, but it is designed to be shared across their organisations as everyone works together to develop an inclusion playbook.

Who can get involved?

Besides your colleagues, third parties can be a great help.

How to use it?

It can be dipped in and out of, (hence there is some duplication).

> For the full list of third parties please view the Diversity Project Website... ▶

Summary

**Part 1
Deciding the steps to take**
What is your current context? What are your options? What steps will you take now?

**Part 2
Digging deeper...
if you want to**
Including more about options.

**Part 3
Recap and resources**
Key points, checklists, resources.

1 Behavioural science/finance/economics studies systematic errors due to how our brains contextualise and frame information, which influence our judgment and decision-making.

WHAT IS YOUR CURRENT CONTEXT?

Data

Data is needed to help to understand where you are and track progress; making steady positive progress is great for morale.

The inclusion task force, discussed in options below, can lead the development of a General Data Protection Regulation (GDPR) compliant data collection strategy. Work with them to establish inclusion targets to use as metrics to monitor progress.

CEOs need to champion data collection. Succinctly say why is important to have the data, who has access to it and how it will be used to benefit people and the organisation. Three follow-up reminders have been found to increase response rates substantially.

Survey fatigue is linked to a lack of sharing and acting on the results. Avoid this and create a positive spiral by giving yourself enough time to analyse, communicate (the good and not so good), and act on the results.

Look for quick wins.
Celebrate success.

SUCCINCTLY SAY WHY IS IMPORTANT TO HAVE THE DATA, WHO HAS ACCESS TO IT AND HOW IT WILL BE USED TO BENEFIT PEOPLE AND THE ORGANISATION.

> The full inclusion maturity curve is in Part 3... ▶

Inclusion maturity

Answering these questions will help to get to the root causes, good and bad, of your inclusion maturity.

What is your culture now?
- What is valued?
- How does work get done?
- How are decisions made?
- What lies behind hiring, including promotion, decisions?

What are your granular data and trends?
- Is there balance in who is:
  - Recruited?
  - Promoted?
  - Leaving?
  - Working flexibly?
- Are there any pay gaps? If so, where are they and why do they exist?
- Is there balance in performance scores?

What are your inclusion enablers?

What are the barriers and/or unwritten rules (contradictions) getting in the way?[i]

What resources are needed?
Ideally, the human resources (HR) and inclusion and diversity (I&D) teams should report to you.

"PROGRESS ON HIRING MORE DIVERSE PEOPLE WILL ONLY TRANSLATE INTO GREATER DIVERSITY AT ALL LEVELS OF AN ORGANISATION IF NEW RECRUITS FEEL INCLUDED AND HAVE OPPORTUNITIES TO DEVELOP. DEVELOPING AN INCLUSIVE WORKPLACE CULTURE IS NOW RECOGNISED AS CRITICAL IN THE 'WAR FOR TALENT' - THE PROBLEM IS 'HOW?' THIS INCLUSIVE CULTURE GUIDE IS FULL OF IDEAS TO HELP CEOS OF INVESTMENT FIRMS TO MAKE PRACTICAL, STRAIGHTFORWARD INTERVENTIONS TO ALTER EVEN ENTRENCHED BEHAVIOURS AND ATTITUDES. IT TACKLES A BIG PROBLEM THROUGH MULTIPLE MANAGEABLE STEPS - STARTING FROM THE TOP."

Baroness Helena Morrisey.

Inclusion maturity curve

The further right the better.

| | Awareness grows ▶ | Transition point ▼ | | Cumulative progress ▶ |
	1. Compliance	2. Programmatic	3. Leader-led	4. Inclusive
Focus	Compliance, avoiding complaints	Value of diversity starts to be recognised	Deeper understanding of inclusion and its link to business strategy	Inclusion is integral to corporate strategy
Centre of gravity	Legal/HR/I&D team	HR/I&D team, employee resource groups	Business leaders, diversity task force	Whole organisation

Source: adapted from Deloitte's Maturity Model and the FSSC's inclusion measurement guide

The Diversity Project also recommends benchmarking where you are by taking the Inclusive Employers Standard[ii] assessment.

i Peter Scott-Morgan, 'Unwritten Rules of the Game'.

> "AN INCLUSIVE CULTURE IS NOT SIMPLY ABOUT ACCOMMODATING DIFFERENCE. IT IS ABOUT INCORPORATING THE VALUE OF DIFFERENCE INTO EVERYTHING THAT YOU DO. THESE HELPFUL GUIDES GIVE PRACTICAL STEPS THAT CAN BE TAKEN TO ACHIEVE THIS AIM."
>
> Peter Horrell, UK Chairman, Fidelity International.

WHAT ARE YOUR OPTIONS?

To help to integrate inclusion into your corporate strategy more quickly and smoothly, it may be helpful to collaborate with third parties.

You may have a clear idea of where to start. If not, this section provides some options. It is not prescriptive as to the steps you take will depend on your current context.

Remember small steps count if built on over time, but be clear, this is about challenging the status quo; it is system redesigning not retrofitting.

Where there is more to say, it is in Part 2... ▶

IT HAS TO BE BUSINESS-LED AND IT HAS TO BE SOMETHING THAT EVERYONE OWNS.

People
Inclusive Leaders
Task Force
Mutual Mentoring

Frameworks
Long-term
Workforce Planning
Employee Experience
Flexible Working

BEING MENTORED CAN HELP BUILD CONFIDENCE TO APPLY FOR ROLES.

People

We all feel excluded sometimes. Encourage everyone to understand what makes them feel excluded and use this knowledge to help them actively include others.

Leaders

Once people see their leaders being inclusive and know that they are watching for inclusive behaviour, positive change starts to happen.

There is a walking the talk section in Part 3... ▶

Be kind, humble, listen and treat everyone fairly Remember, less assuming, more listening.

Task force

Having an inclusion task force is an effective action.

A task force will help to get you started. Establish and sponsor a diverse group of volunteers from across your business with clear terms of reference and responsibilities. Ideally you, but if not, the task force leader should be senior and have the authority to develop/implement the IF&D strategy and hold people to account. They also need to have access to the data, and ringfenced time.

The task force could commission an inclusion audit. Depending on your inclusion maturity, it may be better to use an external party to carry this out. It could also hold sessions with members of the high/low performing inclusion groups across the business to identify the root causes of what currently works and does not work.

There needs to be an ongoing dialogue between the task force you and the executive committee as the context and action plans evolve.

Mutual mentoring

Mentoring is a promising action.

There is a lot of focus on the need for sponsors to advocate for people from underrepresented groups, however, this could introduce an additional barrier into the system. With full transparency about how potential is evaluated and a robust hiring framework, that invites internal applicants, sponsorship should not be needed. Inviting internal candidates to apply for roles correlates with better job performance and retention outcomes than when people are appointed through sponsorship.

People from underrepresented groups have fewer role models and can be less likely to self-advocate. A mentoring programme can help build their confidence to apply for roles and when they take on new roles. A formal mentoring programme makes it easier for those who are keen to mentor but are reticent to do so informally.

Engaging with each other as part of a mutual mentoring relationship helps to create a better understanding of what it is like for others to work in your organisation, it provides different perspectives and helps to foster an inclusive culture.

Read about Wellington Management's story about reverse mentoring... ▶

Frameworks

Whereas values are the compass that guides decisions. Frameworks are choice architecture, guide rails, that support logical decision-making. In the same way that investment companies have investment frameworks that support their investment decisions and keep them true to their investment philosophy and principles.

Values

Frameworks

Decisions
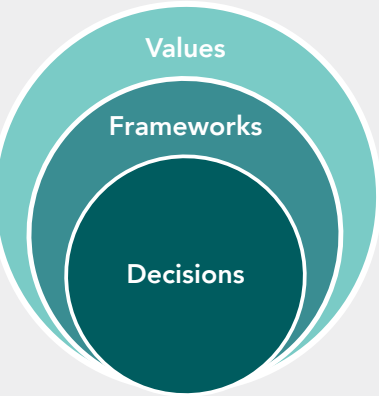
Historically frameworks have been designed by and for an organisation's stereotypical group and can unintentionally exclude. Working with the task force, identify where existing systems/frameworks are getting in the way of an inclusive culture.

Redesign them to meet the needs of all users, incorporating 'nudges' to support inclusive decision-making, and save effort. Such as: diverse shortlists, decision-making interview checklists, and structured interviews.[iv] Every part of your frameworks are important, and they will probably need to evolve.

Review and reset your systems/ frameworks more broadly, such as your client/user experience and supply chain, so that inclusion is integral to how your business is run.

iii Atul Gawande, The Checklist Manifesto
iv RH Thaler & C Sunstein, Nudge: Improving decisions about health, wealth, and happiness.

"ADHERENCE TO PROTOCOL IS NOT RIGIDITY BUT FREES UP MENTAL CAPACITY"
Atul Gawande, author [iii]

Long-term workforce planning

The need to fill positions quickly reduces the size of the talent pool because people from underrepresented groups can be more cautious about moving to a new organisation as they cannot see many people like them.

Long-term workforce planning enables recruitment success criteria to shift from cost/time to hire and volume of candidates, to candidate quality/tenure and workforce balance.

You need to ensure that you have a holistic view of the combination of competencies and thinking styles you have now, and those that will be additive to a particular team and/or the whole business.

Your aim is for value alignment, that is a workforce with diverse perspectives and thinking styles, underpinned by shared views about your organisation's purpose and core values.

Understand your organisation/environment

Analyse current & required competencies / thinking styles

Long-term workforce planning

Monitor and evaluate actions

Determine long-term needs

Address shortages, surpluses or mismatches

Identify gaps

Source: Chartered Institute of Personnel Development (CIPD)

Talent bench
Always be on the lookout for talent.

With the knowledge from the long-term workforce planning, you can build an engaged talent bench, which is made up of people that you and your colleagues engage with over time. This allows them to get to know your culture, making it more likely that they will be happy to be included in the formal assessment process when an appropriate vacancy arises.

Have one, or more, senior person, with a holistic view of the workforce who can consider if somebody interviewing for one role/department now may be better suited to another or added to your talent bench for the future.

Actively reach out to people who will be additive to your company and invite organisations with access to specialist talent pools to put forward candidates who could be added to the talent bench.

FOCUS ON THE ESSENTIAL BEHAVIOURAL COMPETENCIES NEEDED FOR EACH ROLE, SUCH AS EMPATHY, ORAL COMMUNICATION, CREATIVITY, ANALYTICAL THINKING, RESOURCEFULNESS

Candidate success criteria
'Culture fit' is code for 'like us'.

Carefully selected, predetermined success criteria are important for assessing the potential to do the job and mitigating stereotyping during the selection process.

Have no more than six key competencies tailored for each role; 'nice to haves' reduce the size of the talent pool. For example, are 'excellent communication skills' absolutely necessary for the role? If not, do not add it, doing so could exclude people who would excel in the role. If communication is important, be specific about what you need: is it oral or written or both?

From the long-term workforce planning, there should be a clear picture of candidate success criteria that will be additive to the team/company. Focus on the essential behavioural competencies needed for each role, such as empathy, oral communication, humility, listening, curiosity, collaboration, creativity, analytical thinking and/or resilience. Do not include technical competencies that can be easily/quickly taught.

"HIRE FOR ATTITUDE, TRAIN FOR SKILLS"
Herb Kelleher, co-founder of Southwest Airlines

EMPLOYEE EXPERIENCE

Like customer experience (CX) and user experience (UX), employee experience (EX) covers every aspect of the quality of employee touchpoints, from attraction to transitioning out of the company, or leaving the assessment process.

Design your EX so that everyone can shine and feel good about themselves, no matter the outcome.

Who gets what and why?

Being transparent about hiring decision-making criteria, processes and policies is an effective action.

Transparency about how potential is evaluated and the criteria for promotion and developmental assignments increases trust in the process. Colleagues are clear about what is involved and hiring managers know that their decisions will be reviewed by others, so they need to be objective, and evidence based.

Being transparent about total compensation ranges is an effective action.

Women are less likely to negotiate their pay if they are not sure about what is reasonable. Stating that the role is negotiable, can encourage women to negotiate. However, it is also worth noting that women violate gender norms in most societies by asking for a pay rise.

Do not ask candidates for current compensation. This can perpetuate pay gaps and penalise strong candidates; they are sometimes viewed badly for being poorly paid.

Instead, use market data to determine the salary range and be transparent about ranges to colleagues and candidates.

Attraction

Potential candidates need to be able to work out if they will belong at your company. Think of roles as products that combine various factors that will attract different people, such as, core values, culture, employer brand, learning/development, as well as the who with, where, when and how much they will be paid.

Be clear and upfront about things such as: location, flexible working options (where, when, and how), compensation ranges, other benefits, learning and development etc.

As with clients, the 'product design' and the language you use to describe it will impact who you attract. Neutral, clear, concise language in all external and internal communications, makes messages accessible and avoids diluting them. Provide information in different formats, where appropriate.

> **WE DON'T ASK FOR... CURRENT SALARY BECAUSE WE FEEL THAT PENALISES PEOPLE.**

Wide sourcing

Recognise that somebody who has not had a conventional, linear, uninterrupted career path in the Sector means that they will bring different perspectives.

To expand your talent pool, look widely, creatively, and proactively. Being proactive is important as it is estimated that whilst 70% of people are not looking, 87% are open to a new job. Also, advertise all roles internally and invite colleagues to apply.

Talent sources

Universities	Talent bench	Targeted referrals	Own headhunting
3rd party headhunter	Specialist talent pool	Job boards	Websites
Recruitment agencies	Career breaks	Beyond the sector	Schools
Internal	Role change		

Recruiting returners is a promising action.[v]

Returners are people who have taken a career break, for whatever reason, who are currently not working or are over-qualified for the role they are in.

Selection

Having two or more candidates from underrepresented groups on shortlists is an effective action.

Insist on diverse shortlists. With only one non-stereotypical candidate, decision-makers' innate preference to maintain the status quo may kick in. For example, statistically, the chance of a woman being appointed out of four candidates is: 0% with three men/one woman and 50% with two men/two women.

USE THE SAME SELECTION PROCESS FOR ALL HIRING.

Using work samples is an effective action.

They are short, role-specific, written case studies/activities, designed to assess candidates' performance of the success criteria for the role. They also provide candidates with an insight into the role.

> **Work samples are discussed further in Part 2** ▶

They need to be administered, scored, and applied consistently. Use the wisdom of the crowd by averaging independent assessments from a group of evaluators who are not influenced by the 'noise' of what each other thinks.[vi]

Structured interviewing is an effective action.

Interviews are for collecting new information, not for making the decision. Structured interviews should:

- Be inclusive: the clear focus on the key competencies for the role helps to reduce stereotyping.
- Build rapport and be a two-way dialogue: being structured does not mean they are impersonal.
- Have clear boundaries: candidates should know when they are being assessed.

- Be probing: to dig into candidates' potential to meet the key success criteria.

The aim is to use the wisdom of the crowd, of three skilled interviewers, who, being empathetic and understanding how to let each candidate shine, score candidates before the final discussions about whom to appoint.

Do not undermine the process by introducing unstructured interviews or informal references. The latter are not good predictors of performance in the role and can create barriers due to stereotyping and double standards.

> **"EXPERTS NEED CHECKLISTS... WRITTEN GUIDES THAT WALK THEM THROUGH THE KEY STEPS IN ANY COMPLEX PROCEDURE"**
> Atul Gawande, surgeon and author

v Government Equalities Office and The Behavioural Insights Team, reducing the gender pay gap and improving gender equality in organisations: evidence-based actions for employers. • Effective actions: have been tested in real-world settings and found to have a positive impact on the recruitment and progression of women, and reduce the gender pay gap. • Promising actions: require further research to improve the evidence on their effectiveness and how best to implement them.
vi Daniel Kahneman, Oliver Sibony, Cass R Sunstein, "Noise: A Flaw in Human Judgment"

Flexible working

Flexible working, in its widest sense, as a default is a promising action.

Flexible working can appeal to anyone. It covers the where, when, and how long people work. Such as, working outside normal business hours or from different locations, job sharing or being able to work certain shifts.

Making flexing working arrangements effective requires teamwork; it is not just the responsibility of the person wanting

to work flexibly. It may take some trial and error, but it is possible to maintain collaboration, contribution, and connection when working flexibly.

As CEO you probably already work flexibly. Help to normalise it by being a visible role model. Make it OK for people to be offline and not feel the need to be present in the office for the sake of it.

Add a message to your email signature, such as: 'I support flexible working. My emails are sent to you during the hours that I work, and I understand that you will respond during the hours that you work.'

Shared parental leave

Encouraging the uptake of shared parental leave is a promising action.

People who take time away gain different perspectives. Dispel any stigma by encouraging (and role modelling) maternity, paternity, and also sabbaticals.

WHAT STEPS WILL YOU TAKE NOW?

Fanfares can be more disturbing than motivating, mandates can feel like threats and focusing too much on outcome goals, such as hitting certain headline diversity targets by a certain date, can impede progress. So, identify a few inclusion metrics to use in the background to monitor progress, including external metrics.

Invite colleagues to work and learn together to create an inclusive culture. Review the above options. Decide the steps you will take now based on your

current context. Be totally honest with yourselves, you may already be doing some of the above options, but are they achieving the right results?

Determine what is:
1. Not being done at all: start
2. Not being done well: change
3. Being done well: continue and amplify

What are your quick wins? When will you review your position and rerun the decision-making process?

"WHAT YOU DO HAS FAR GREATER IMPACT THAN WHAT YOU SAY"
Steven Covey, educator

"AT NEST, WE ARE COMMITTED TO BECOMING A TRULY DIVERSE ORGANISATION WHERE WE ENCOURAGE, SUPPORT, AND CREATE OPPORTUNITIES FOR ALL OUR COLLEAGUES TO ACHIEVE THEIR POTENTIAL. WE HAVE ESTABLISHED WORKING GROUPS TO EMPOWER STAFF FROM RIGHT ACROSS NEST TO EMBRACE DIVERSITY, ENCOURAGE STEWARDSHIP, AND CHALLENGE US TO DO BETTER.

"WE KNOW INCREASING DIVERSITY IS THE SMART CHOICE – IT'S GOOD FOR THE WORKFORCE AND IT'S GOOD FOR BUSINESS HEALTH. THIS IS WHY I AM PLEASED TO SUPPORT THE DIVERSITY PROJECT'S INCLUSIVE CULTURE GUIDE WHICH WILL HELP CEOS IDENTIFY PRACTICAL ACTIONS THEY CAN TAKE TO CHANGE EVEN UNCONSCIOUS BIASES AND BEHAVIOURS."
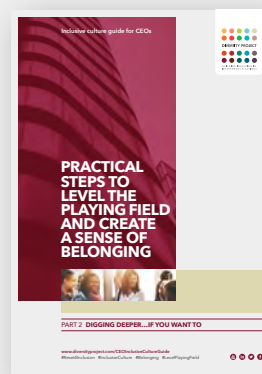Helen Dean, CEO, Nest Corporation.
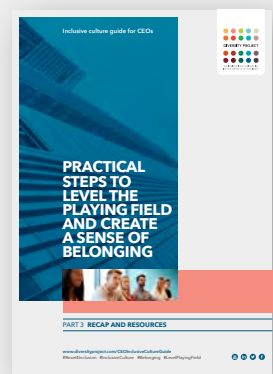
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Introduction

High Level Summary ▶

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