

*Waiter, is that
inclusion in my soup?*
A new recipe to improve
business performance



Joint foreword

Deloitte Australia (Deloitte) and the Victorian Equal Opportunity and Human Rights Commission are proud to launch *Waiter, is that inclusion in my soup? A new recipe to improve business performance*. This joint initiative reflects our shared view that a focus on diversity and inclusion is both a business and fairness issue.

We wish to thank the three diverse Australian businesses that participated in this research project, and of course the 1,550 employees who responded to Deloitte's Diversity, Inclusion and Business Performance survey. Their generosity means that Australian organisations, both private and public, can accelerate their own business performance through diversity and inclusion.

Our innovative research charts new territory and hence, to some degree, it is a work in progress. Our aim in releasing it now is to help re-orient businesses away from their greater level of attention to diversity compared with inclusion, not realising that both are equally critical for business success.

In addition to the bias towards diversity, we also see a lack of certainty about the concept of inclusion (hence the question: Waiter, is that inclusion in my soup?). Our research identifies the key indicators and drivers of inclusion, and thus helps pave the way for practical changes.



Giam Swiegers
(CEO, Deloitte Australia)



Karen Toohey
(Victorian Equal Opportunity and Human Rights Acting Commissioner)

Contents

Opening up the cookbook to the first page	1
Cooking up a storm	5
Inclusion – the missing ingredient	11
I want some soup too	14
A few practical ideas	20
Final words	24
Methodology and contacts	26

Opening up
the cookbook
to the first page

Setting the scene

The pressure is on

Doing more with less, fiscal pressure and constraint, uncertainty, volatility... still common themes for organisations across the globe in 2012. It has shaken our confidence¹ and clarity of response. Unexpectedly diversity and inclusion are emerging as beacons of hope. A little farfetched? Our ground-breaking research in three diverse workplaces (manufacturing, retail and healthcare) demonstrates the tangible uplift in business performance when employees think that their workplace is highly committed to, and supportive of, diversity *and* they feel highly included.

If you are still sceptical, then here is the ultimate punch line. When Deloitte modelled the relationship between diversity *and* inclusion *and* business performance, we identified an 'uplift' of 80% when both conditions were high. More specifically, employees who perceive their organisation is committed to, and supportive of, diversity and who feel included, are 80% more likely to believe they work in a high performing organisation, in comparison to a workplace perceived as having low commitment and support for diversity and employees not feeling included. Even when there is high diversity and low inclusion, or low diversity and high inclusion, the business outcomes are never as impressive as the high diversity and high inclusion combination.

We knew we were onto something, but this result stopped us in our tracks. So we modelled customer service, innovation and engagement. Same deal, perceptions of business outcomes are always significantly higher with high diversity and high inclusion. Clearly the relationship is not a wildcard.

These data lead us to argue that a greater focus on diversity and inclusion – and knowing what this really means from a practical point of view – is the way forward.

Taking a step back...then moving forward

In order to contextualise this research, we first need to take a step back. Of course the starting point for a general diversity and inclusion story is open to robust debate (turn of the century? The 60s?), so let's just stick with what we have observed over the past three years of significant change.

Around 2010, a host of countries started introducing measures (e.g. legislation) to increase female representation on boards². Contemporaneously, business leaders were reflecting on the Global Financial Crisis and business failures, both in terms of antecedents and preventative measures. Decision-making and bias was a common area of discussion across both domains. The impact of the simultaneous exploration of these complex issues by brilliant minds from diverse disciplines, and the demand from business for immediate effective interventions, has been a catalyst for deep insights and change.

Deloitte captured some of these insights in previous thought leadership articles³. These analyses not only helped Deloitte to understand and synthesise the plethora of new ideas, but also to identify knowledge and practice gaps.

Firstly, we observed that organisations gave much more weight to diversity than inclusion, and yet the research pointed to diversity + inclusion = improved business performance. Secondly we observed that academics and workplace experts struggled to articulate a clear definition of inclusion. Our hunch was that if organisations failed to get the diversity and inclusion balance right, and to increase their focus on inclusion, then the game-changing potential of this 'moment in time' would be lost.

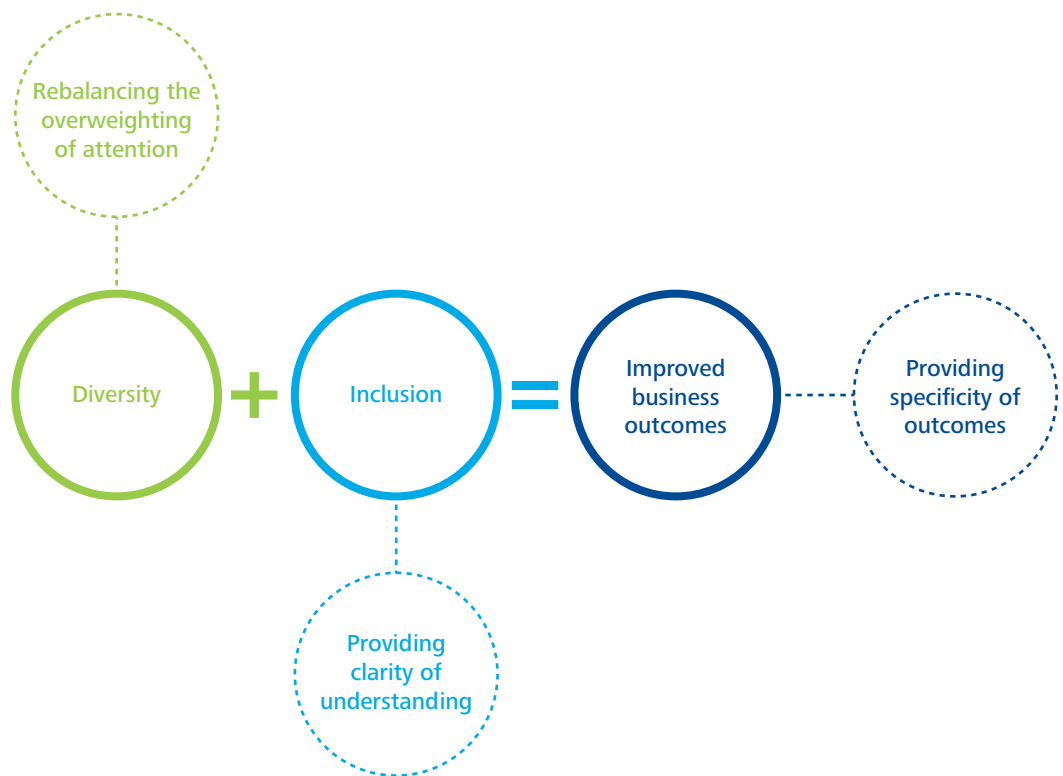
Our hunch was that if organisations failed to get the diversity and inclusion balance right, and to increase their focus on inclusion, then the game-changing potential of this 'moment in time' would be lost

1 Deloitte Australia, The CFO Survey Q3 2012: Proceed with caution

2 Deloitte Touche Tohmatsu (2011) Women in the Boardroom: A global perspective

3 *Leadership: Do men and women do it differently?* (2011); *Working in an ideological echo chamber? Diversity of thought as a breakthrough strategy* (2011); *Only skin deep? Re-examining the business case for diversity* (2011) and *Inclusive leadership: Will a hug do?* (2012)

So to move forward, we suggest a new recipe for success in which there is an equal focus on diversity and inclusion, facilitated by a clear understanding of the concept of inclusion and its drivers. That's what this report, *Waiter, is that inclusion in my soup? A new recipe to improve business performance*, is all about.



Key findings



Diversity + inclusion = improved business performance

When employees think their organisation is committed to, and supportive of diversity *and* they feel included, employees report better business performance in terms of ability to innovate, (83% uplift) responsiveness to changing customer needs (31% uplift) and team collaboration (42% uplift).



Organisations need to increase their focus on inclusion

Rebalancing the focus on diversity *and* inclusion, rather than prioritising diversity, will enable organisations to unleash their diversity potential.

This means that if an organisation has overweighted their attention to diversity, additional effort is needed to focus on inclusion.



Inclusion is tangible

The concept of inclusion incorporates both an active process of change (verb: to include) and an emotional outcome (I feel included).

More specifically, feelings of inclusion are driven by perceptions of (i) fairness and respect and (ii) value and belonging. These two elements build upon one another sequentially.



Work-life balance is a key signal

An employee's ability to balance their work-life commitments is a key driver of an employee's feeling of inclusion. It signals that an employee is seen as a whole person with a life within and outside the workplace. Work-life balance is also read as a signal of the organisation's support for diversity.



Data directs an organisation's biggest bang for buck

Data can help organisations direct their efforts to unleash the diversity and inclusion potential with greater precision and confidence. The starting point is collecting organisation specific data to identify the change interventions which will deliver the biggest bang for buck.

Cooking up a storm

Charting a new direction

As noted in the foreword, this research is exploratory and to some degree a work in progress. That means that whilst we have a long wish list of outcomes and indicators of business performance, this research covers only some and is weighted towards employee perceptions. Nevertheless, these employee insights are compelling as it is reasonable to assume that they have a clear view of workplace operations from the inside.

In terms of perceptual indicators, we asked employees about their views on the end goal, namely business performance (Q: *I work in a high performing organisation*).

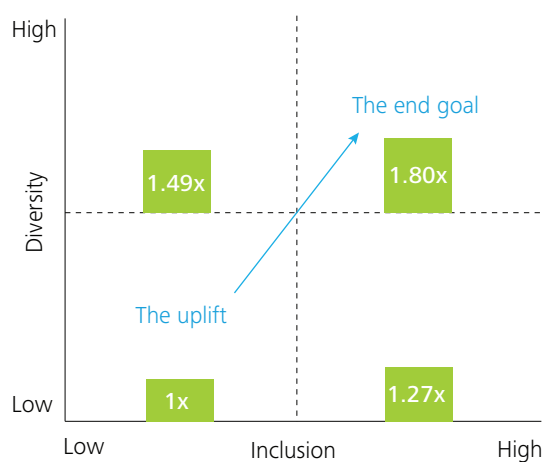
A picture tells a thousand words: when employees think that their organisation is highly committed to, and supportive of diversity, *and* they feel highly included, then they are 80% more likely to agree that they work in a high performing organisation than if they perceive low support and commitment for diversity and low inclusion.

Compare the statistically significant difference between the bottom left quadrant (the baseline of low diversity and low inclusion, which we have named 1x) with the top right quadrant (high diversity and high inclusion). This outcome is coming from a low base, but what if an organisation is already demonstrably committed to diversity? Performance could still improve, and in these circumstances the uplift potential of a dual diversity + inclusion focus is 31% (compare the top left and top right quadrants).

Figure 1

Q: 'I work in a high performing organisation'

High performing organisation



“A picture tells a thousand words: when employees think their organisation is highly committed to, and supportive of diversity, *and* they feel highly included, then they are 80% more likely to agree that they work in a high performing organisation...”

Looking at business performance from the inside

So what were employee's thinking about when they evaluated their organisation's performance? Understanding their frames of reference gives us more confidence in their appraisal, especially when we found that they were looking at performance indicators in their direct line of sight, namely:

1. Customer service
2. Innovation
3. Team collaboration.

Each time these indicators told the same story: when employees perceive that the organisation is highly committed to, and supportive of diversity, and they feel highly included, then they will also give a big tick to these three indicators. Moreover, the consistent story is also that, whatever the indicator, a greater focus on diversity, or a greater focus on inclusion, will never deliver to the level of a combined focus (compare the top left and bottom right quadrants).

Figure 2

Q1: 'My work group constantly meets the needs of its clients/customers'
Q2: 'We are responsive to the changing needs of our clients/customers'

Customer service

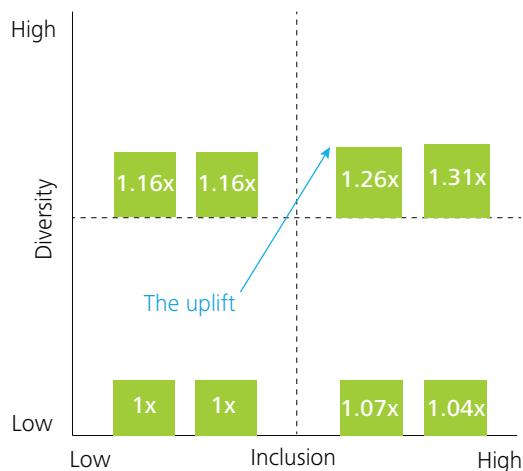


Figure 3

Q: 'We share diverse ideas to develop innovative solutions'

Innovation

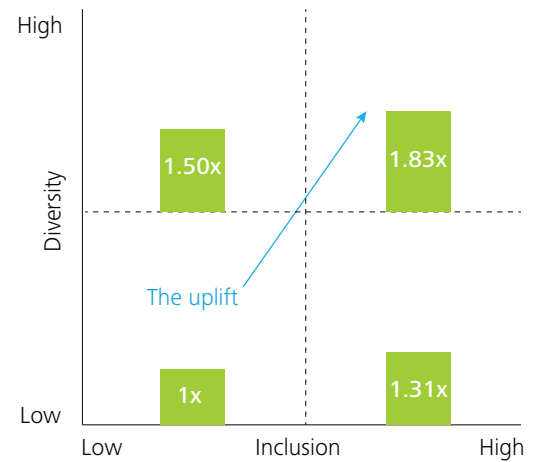
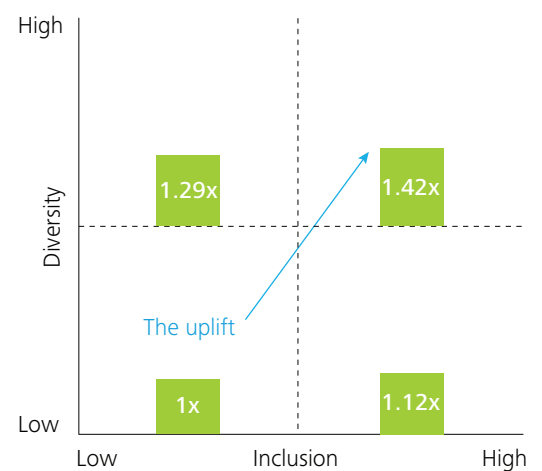


Figure 4

Q: 'My team works collaboratively to achieve our objectives'

Team collaboration



Inclusion and engagement: same dish, different name?

Could it be said that we are just talking about 'engagement' but giving it another name?

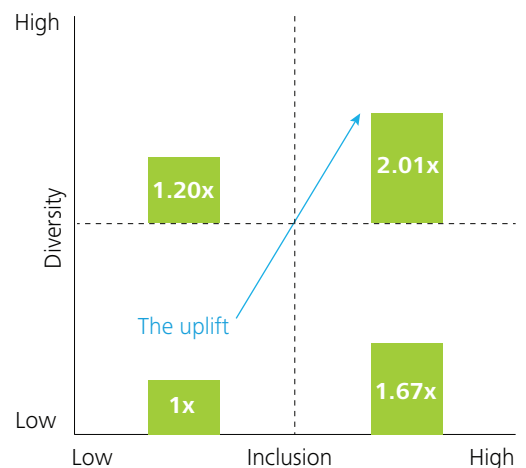
We tested this idea by looking at the key indicators of engagement, namely whether an employee is likely to stay with their employer, advocate for their employer and go the extra mile (the discretionary effort factor).

We found that engagement and inclusion are in fact separate but related concepts. In particular, we found that engagement is an outcome of diversity and inclusion. Whilst those who feel highly included in a workplace with a low commitment to diversity are more engaged (67%) compared to those in a workplace with high diversity and low levels of inclusion (20%), it is the combined focus on diversity and inclusion which delivers the highest levels of engagement (101%).

For those organisations which have embraced the idea that improving levels of engagement is a pathway to business performance, but have reached an engagement plateau, these findings provide a new avenue of action.

Figure 6

Employee engagement



“For those organisations which have embraced the idea that improving levels of engagement is a pathway to business performance, but have reached an engagement plateau, these findings provide a new avenue of action”

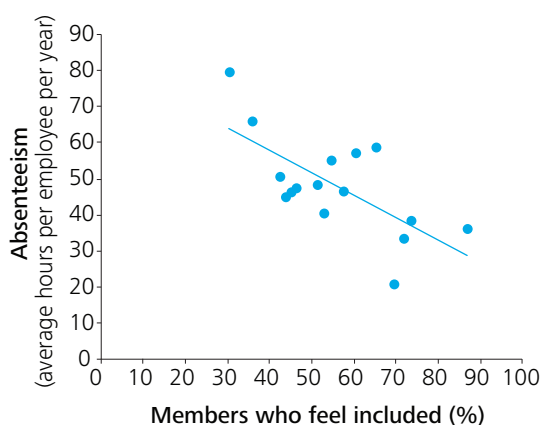
What about the hard business data?

“If just 10% more employees feel included, the company will increase work attendance by almost one day per year per employee”

Individually and holistically the results of our analysis between diversity, inclusion and perceived business performance tell a powerful story. But, of course, the collection of even more ‘hard’ data would strengthen the case even further. And this is exactly what we sought.

Our research found that inclusion not only influences perceptions of business performance but is correlated to actual business performance as well. Analysing the relationship between inclusion and ‘hard’ data on absenteeism and employee performance ratings, we found that the more included an employee feels, the more likely they are to be at work (i.e. reducing the cost of absenteeism) and to receive a higher performance rating. Making this a little more specific, the data from one organisation demonstrated that if just 10% more employees feel included, the company will increase work attendance by almost one day per year (6.5 hours) per employee.

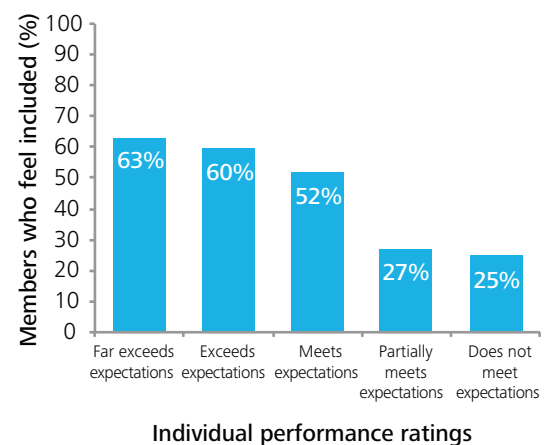
Figure 7



Correlations beg further exploration to establish causation, but the story makes intuitive sense. We already know that when employees feel highly included they feel more engaged in their work. This means that employees are motivated to turn up to work and to do their best work. On the other hand, the more an employee feels excluded (e.g. that they are not being treated respectfully or that they do not belong to the team), the less likely they are to want to participate or bring their full capabilities to the table. Regardless of the detail, these two ends of the behavioural spectrum (turning up to work and doing your best work), seem connected to inclusion and both are vital for business performance.

Re-iterating again the ‘work-in-progress’ nature of this research, the next steps are to look at more outcome data, such as profitability and sales.

Figure 8



Diversity + inclusion revisited

From whichever angle you look, the logic of 'diversity + inclusion = improved business performance' stands up. But more than just pointing to the importance of *both* diversity and inclusion to reach the highest level of performance, these findings demonstrate a more sophisticated story about the comparative balance between those two factors in terms of the desired business outcomes.

Looking at innovation (Figure 3), collaboration (Figure 4) and customer service (Figure 2) as specifics, and comparing the top left and bottom right quadrants, there is a statistically significant difference between high diversity/low inclusion and low diversity/high inclusion (top left, bottom right quadrants), and a focus on diversity seems to pay a higher bang for buck on the way to high diversity/high inclusion. The engagement story is quite different. Once again comparing these quadrants, inclusion seems to pay a higher bang for buck on the way to high diversity/high inclusion.

So while the bottom line always proves true, namely high levels of support for, and commitment to, diversity *and* high levels of inclusion are needed for top performance, disentangling the factors may lead organisations to focus separately on diversity or inclusion in the short term. But before we can take another step forward, we need to be clear about the concept of inclusion and the drivers. And this might also cause us to double think whether a separate focus on diversity and inclusion is sensible or indeed possible.



Inclusion – the missing ingredient

Inclusion – what are we really looking for?

In comparison to diversity, there is a lack of academic literature about the concept of inclusion, and if it is written about, the indicators or the elements and drivers tend to be confused. Little wonder then, that there is a lack of clarity and focus in organisational practice.

We define inclusion as an active process of change or integration, as well an outcome, such as a feeling of belonging. In essence, when organisations or individuals adapt their practices or behaviours to respond to people, then people feel included.

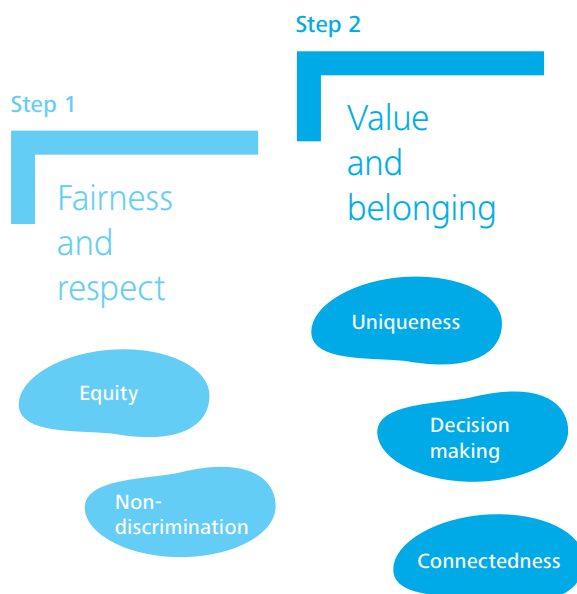
By exploring a broad range of possible indicators, our research has identified that feelings of inclusion are comprised of perceptions of (i) fairness and respect; and (ii) value and belonging. Moreover we can confidently say that these are separate concepts and build upon each other sequentially. This means that to feel highly included, a person would not only say that they are treated fairly and respectfully, but that their unique value is known and appreciated, and they belong to the group.

To build this out a little further, the concept of fairness and respect is underpinned by ideas about equality of treatment. Employees look to whether their experiences are similar to comparable others in terms of opportunities, pay, and evaluation, and there is a strong emphasis on demographic groups as a frame of reference (e.g. male vs. female). Essentially, this first level of inclusion is really just about participation, being in the game.

In contrast, the concept of value and belonging focusses more on the uniqueness of each person being known and appreciated by the team, not as an isolated subject matter expert, but one who is integral. Employees look to whether they are seen as a three dimensional person (and not at a superficial level), whether they are part of formal and informal networks and whether they have a voice in decision-making. Essentially, this second level of inclusion is about having a voice and being connected.

Figure 9.1

Deloitte inclusion maturity model



“This means that to feel highly included, a person would not only say that they are treated fairly and respectfully, but that their unique value is known and appreciated, and they belong to the group”

Introducing the X factor – confidence and inspiration

It's a beautiful story of collective intelligence, driven by diverse ideas which are set free through inclusive behaviours

Having identified the perceived performance uplift when diversity and inclusion are high, what if we were to tell you that another element had the capacity to lift perceived business performance even further?

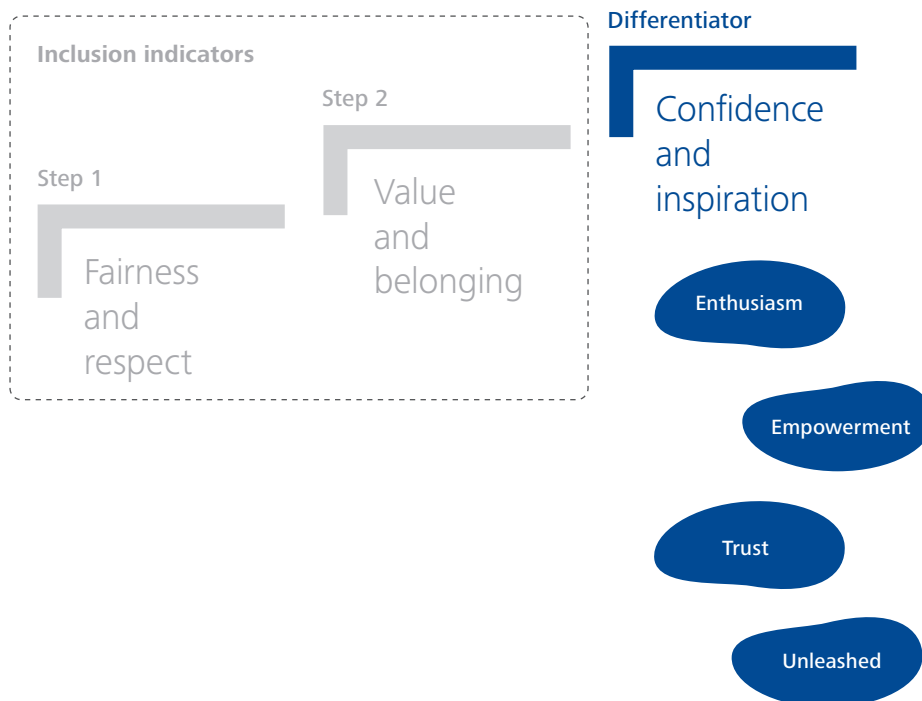
Our research found a strong relationship between feeling confident and safe to speak up (particularly if the view differs from the majority) and feeling inspired to do 'my best work'. In essence, this is a story of a high performing team, in which the group becomes so much more than the sum of its parts, a story of trust and empowerment, in which people feel confident to contribute without fear or embarrassment, and in which the mutual sharing of ideas is both stimulating and energising. And this is a story of spiralling benefits, because we also found that confidence and inspiration drives innovation, customer service, collaboration and engagement.

So this X factor of 'confidence and inspiration' has the capacity to lift business performance even beyond our fundamental findings of significant increases in business performance through diversity and inclusion.

To sum it all up, inclusion was originally thought about in terms of equality of treatment (i.e. fairness and respect) and we now know that inclusion also encompasses feelings of individual value and belonging. Moreover, when the setting tips from 'I feel included' to 'we feel included', the findings point to a new potential borne out of a large group of employees feeling inspired by each other. It's a beautiful story of collective intelligence, driven by diverse ideas which are set free through inclusive behaviours. Contrast this to an understanding of inclusion that stops at 'let's just get more diverse people in the game'. A focus on the bigger potential can reap bigger rewards.

Figure 9.2

Deloitte inclusion maturity model



I want some
soup too

What drives diversity and inclusion perceptions?

Consistent with the view Deloitte proposed in *Inclusive leadership: Will a hug do?* we found that the behaviours of senior leaders and managers influence employees' perceptions about whether an organisation is authentically committed to, values and supports diversity, and whether they feel included. This finding might come as some surprise to senior leaders as it is commonly suggested that managers, with their greater level of direct employee contact, drive the employee experience. Whilst this might be true for some issues, in relation to diversity and inclusion, the results point to the behaviours and signals of senior leaders as carrying significant weight.

This influence chain can be thought of in terms of a waterfall from the organisation's diversity strategy, or merit policies, to senior leaders, managers and then employees. To stay with that analogy, a waterfall is dynamic with splashback and spray.

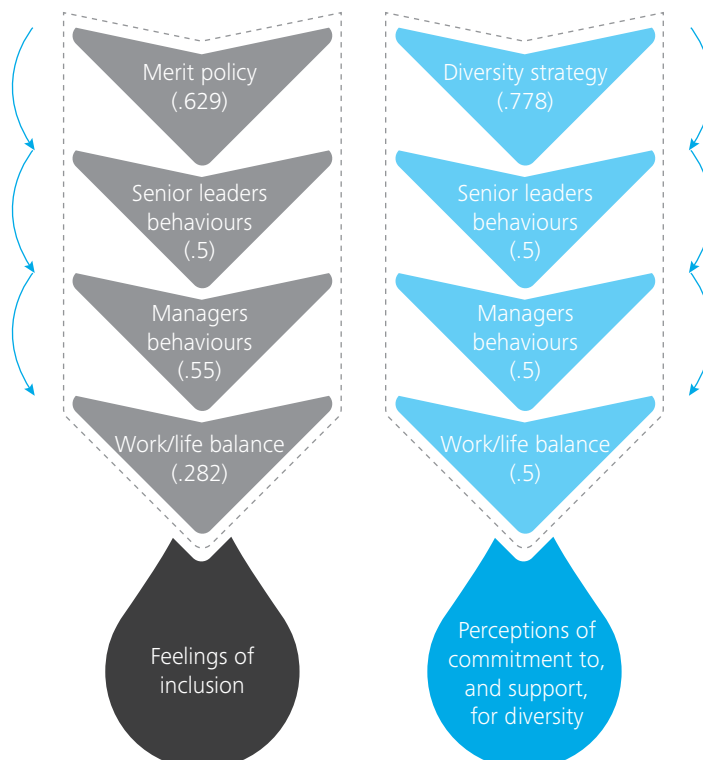
In the same way, each of these elements within the waterfall also has an indirect effect on employee perceptions.

So in terms of splashback, this means that the behaviours of a manager indirectly communicate to the employee the organisation's commitment and support for diversity. And the employee's perception of diversity influences their feelings of inclusion. The overall effect sizes are reflected in the numbers in brackets inside Figure 10, with a large effect size being over .8, a moderate effect being over .5, and a small effect being .2. Notably seven of the 8 factors identified in Figure 10 have a moderate to large impact on feelings of inclusion and perceptions of commitment to, and support for, diversity.

Interestingly, employees' feelings of inclusion, as well as their perception of organisational commitment to diversity, are driven by their tangible day-to-day experiences of work/life balance. This signals the significant role played by work/life balance as a driver of diversity and inclusion perceptions.

Figure 10

Driver waterfall and effect sizes



Case study – one leader's story

When the survey results for one organisation were separated into individual business units, it was clear which business units were playing on higher ground. To delve deeper, knowing that leaders are key drivers of these perceptions, we interviewed a business unit leader to find out why 87% of his employees said they felt included in comparison to an average rating of 49% across the organisation. Not surprisingly, given the survey findings about the elements of inclusion, his ideas and actions mapped to our inclusion model.

Flexibility in action

Consistent with the survey results identifying the importance of workplace flexibility as a key driver of employee perceptions of a commitment to diversity, and feeling included, the business unit leader we interviewed spoke about empowering his workforce by providing 'total flexibility to manage their work.' *'We work considerable hours in the team, they just don't need permission for when and where they do the work. I trust them to manage their time and interfaces with other people in the business. It's cultural and places ownership back onto the employee, they are empowered to manage the way that they work and when they work – I am only interested in the results. If they were to take advantage of it, it would show up in their outcomes.'*

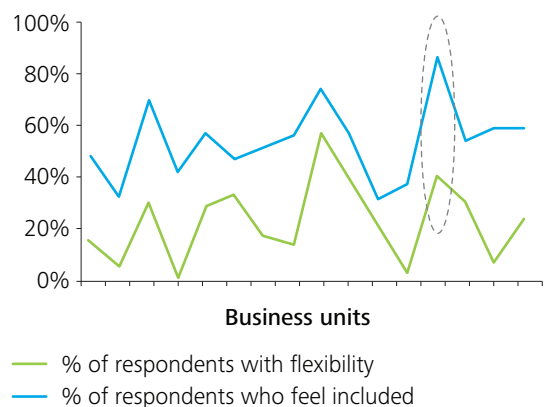
Ratifying our hunch, it's led from the top. *'Our managing Director is absolutely committed to a flexible work place.'*

As shown below, business units with a higher uptake of flexibility, experienced higher levels of inclusion. For example, in one business unit, the inclusion rating for employees who did not work flexibly was 38% compared with 83% for those who did.

Tying this to business outcomes, research shows that employees who work flexibly actually work longer – for half a day, to two days per week – whilst also managing their work/life obligations⁴.

Figure 11

Data from one organisation – the relationship between flexibility and inclusion



4 Hill, E.J., Erickson, J.J., Holmes, K.E. and Ferris, M. (2010) 'Workplace flexibility, work hours and work-life conflict: Finding an extra day or two' *Journal of Family Psychology*, Vol 24(3), pp 349–358.

Inclusion indicators

Fairness
and
respect

Value
and
belonging

‘Everybody is absolutely treated with respect. Whether they are junior, mid-level managers or senior leaders in the team you are encouraged to speak up and put your view point across... For example, we have a weekly planning meeting, with students through to senior managers, and we are looking for input from everybody.’

This isn’t just lip service, ‘we genuinely want to know what their viewpoint is’ and ‘act upon it’.

A sense of value is also created by enabling employees to present their own work to senior leaders, irrespective of level: ‘They take ownership over their own work... and get the recognition.’

Confidence and inspiration

‘These elements build confidence and thus drive high performance.’

‘This opportunity helps them to develop and empowers them.’

‘It builds confidence and provides positive reinforcement... We work closely together and with other parts of the business, so seeking out opinions from different sources is just part of what we do.’

‘The key aspect of a high performing team is passion... We see their passion in the way that they approach assignments and in the way that they approach other aspects of their life.’



Prioritising actions

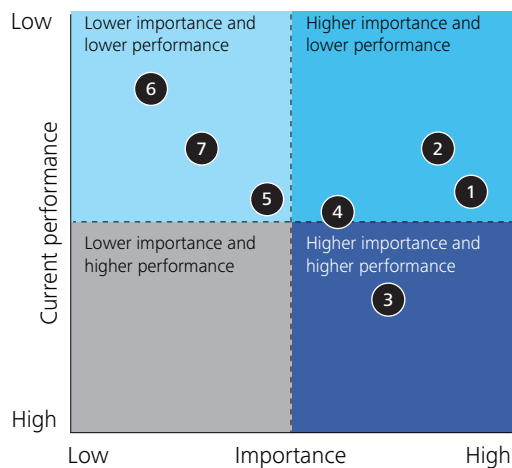
Given the focus of this report on rebalancing the attention bias towards diversity, we analysed each organisation's current performance against the drivers of inclusion and diversity.

Current performance was evaluated according to the percentage of respondents who agreed or strongly agreed with a driver statement (e.g. Q: *I feel valued by my manager*). We also evaluated performance against the relative importance of this driver in terms of its potential impact, and created a prioritisation matrix.

As can be seen from the three graphs, the top three critical areas needing attention (top right hand quadrant) differ slightly, however a focus on leaders and merit based policies is common to all.

Figure 12

Organisation 1 – Prioritisation matrix



1. Leaders
2. Merit based policies and practices
3. Managers
4. Diversity
5. Accountability/reward
6. Work life balance
7. Diversity policies and practices

Figure 13

Organisation 2 – Prioritisation matrix

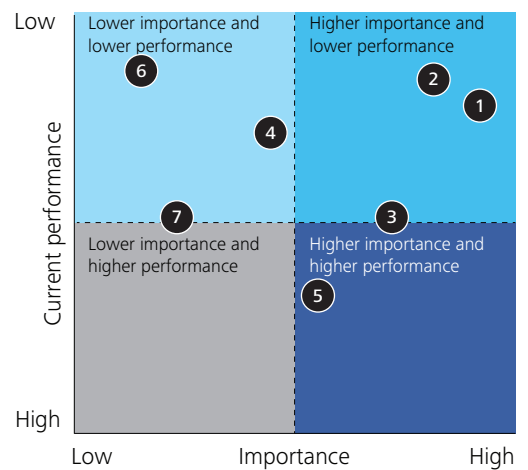
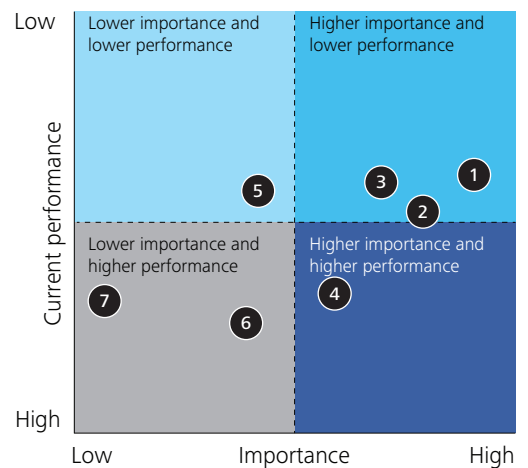


Figure 14

Organisation 3 – Prioritisation matrix



Ideas from the front line

– merit based policies and processes

In all three organisations, employees identified merit based policies and processes as critical to their perceptions about whether their organisation was supportive of, and committed to, diversity. They also identified these policies as influencing their feelings of inclusion. The prioritisation matrix indicated that merit based policies and processes were a key area for improvement.

In particular, employees were asked about whether promotion and development opportunities are based on merit; recruitment processes enable the selection of the best person for the job; and performance management processes enable employees to demonstrate their personal skills sets. Their free text answers pointed to improvements in the implementation of these policies and processes, rather than changes to the policies themselves.

Solutions focussed on raising awareness of similarity attraction/selection bias, as well as enhancing the transparency of processes and accountability for outcomes. These suggestions are consistent with findings from academic research on the positive impact of reminding decision-makers, immediately prior to the selection process, of the organisational importance of making merit-based decisions, and of taking personal accountability for outcomes⁵.

Employee ideas to improve implementation through consistency, transparency and accountability

“Need more transparency in the selection process.”

“Improve fairness in promotions and encourage different viewpoints.”

“Train managers not to recruit people who are similar to themselves but to be more open minded. Apply the same to promotions.”

“Ensure that managers (all the way from the senior leadership team to the team leaders) are fair in their assessment of subordinates’ performance.”

“Hold managers and members of senior leadership accountable for their actions.”

⁵ Petersen, L., and Krings, F., (2009) Are ethical codes of conduct toothless tigers for dealing with discrimination, *Journal of business ethics*, Vol 85, pp 501-514.

A few
practical ideas

From theory to practice

The survey results underscored for us the importance of leaders' and managers' behaviours in creating a culture of inclusion. Our background research however, highlighted the lack of clarity surrounding the concept of inclusion. Much like having an amazing bowl of soup, but not being quite sure of the ingredients.

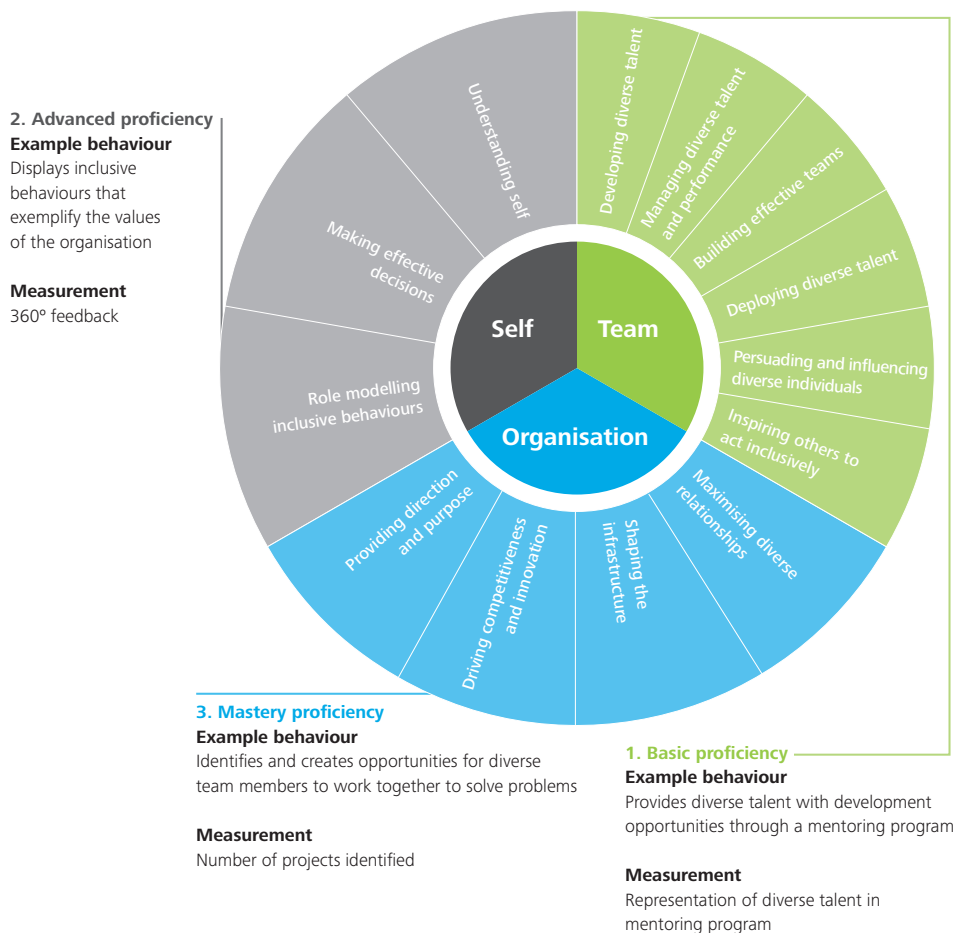
Now that we understand that the key elements of inclusion are (i) fairness and respect; and (ii) value and belonging; which, when combined with diversity lead to 'inspiration and confidence', we see three opportunities to move from theory into practice.

The Deloitte Inclusive Leadership Competency framework

Firstly, we now have the building blocks for a leadership competency framework so we can develop and measure inclusive leadership. Secondly, we can identify critical moments in an employee's life cycle which have a heightened impact on experiences of diversity and inclusion.

Thirdly we can leverage data analytics to view employees through a more sophisticated prism than traditional demographics (e.g. male vs. female).

We pursue these three ideas for action with some preliminary thinking.



Moments that matter

Throughout the employee lifecycle, and in our workplace practices more broadly, there exist 'moments that matter'. At these points leaders are more vulnerable to decision-making bias or behaviours that can unconsciously create advantage for some and disadvantage for others and undermine aspirations of diversity and inclusion. Below, Deloitte provides a snapshot of these vulnerable moments, and some practical strategies for leaders and managers to address them.

A snapshot of vulnerable moments...

Not a good 'fit'



Often interviewers use 'not a good fit' to explain selection decisions that are based on vague and intangible 'gut feel', that often reflects unconscious biases.

Example strategy:

Establish strict and transparent criteria for assessing 'a good fit' based on the organisations values.

The squeaky wheel



According to Susan Cain 'there is zero correlation between gift of the gab and an ability to come up with great ideas'. Yet often those who self promote get ahead.

Example strategy:

Introduce a regular mechanism for each team member to share what they are working on and their achievements.

Speech bias and priming



Whoever speaks first will set the tone of the meeting, which can result in an unfair weighting on their point of view and others being influenced. Meetings risk becoming unbalanced.

Example strategy:

Circulate the agenda and key questions before the meeting and ask all participants to prepare a brief paragraph on their views.

Strings attached



In some cases, flexibility is offered with strings attached such as career cessation, marginalised work or without an adjustment to workload.

Example strategy:

Periodically review the quality and range of work assigned to flexible and non-flexible employees.

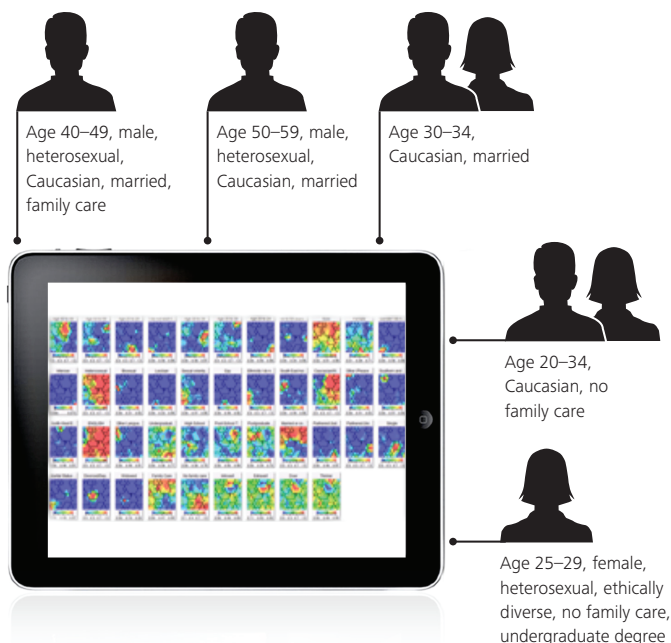
Start looking at people in 3D

Deloitte's artificial data analytics tool, called a Self-Organising Map (SOM), can provide a more realistic sense of the 'types' of people present in each organisation, rather than a 2D picture of employees seen through single or double demographic splices (e.g. race by level). This tool clusters data to identify shared multi-dimensional features and also the distance or connectivity between one persona and another.

We used the SOM on one organisation and identified five common 'groups' of people, e.g. one being heterosexual men aged 40–49 who are Caucasian, married and have caring responsibilities, and another being women aged 25–29 who are ethnically diverse, heterosexual and have no caring responsibilities.

The first group of men was most closely connected to a second group of men who were quite similar but slightly older, whereas the profile of the young women and their connectedness to the older group of men – was quite distant.

Why is this insightful? If similarity of demographic characteristics facilitates relationships through similarity-attraction bias, then the distance between demographic groups points to the degree of effort necessary to create a sense of connectedness across the organisation, and as we know from the findings on inclusion – connectedness influences a sense of belonging. The SOM provides organisations with a new way of seeing employees that is more realistic, like a 3D perspective, and offers insight into tribes which is masked by a traditional demographic analysis.



Final words

Final words

This research captured the views and experiences of 1,550 employees in three large Australian businesses operating in manufacturing, retail and healthcare. Through their eyes we learned that business performance could be improved through a dual focus on diversity and inclusion enabling, for example, greater levels of customer satisfaction. This insight comes at a critical moment when businesses are buffeted by challenging economic conditions and seeking ideas about stability and growth options.

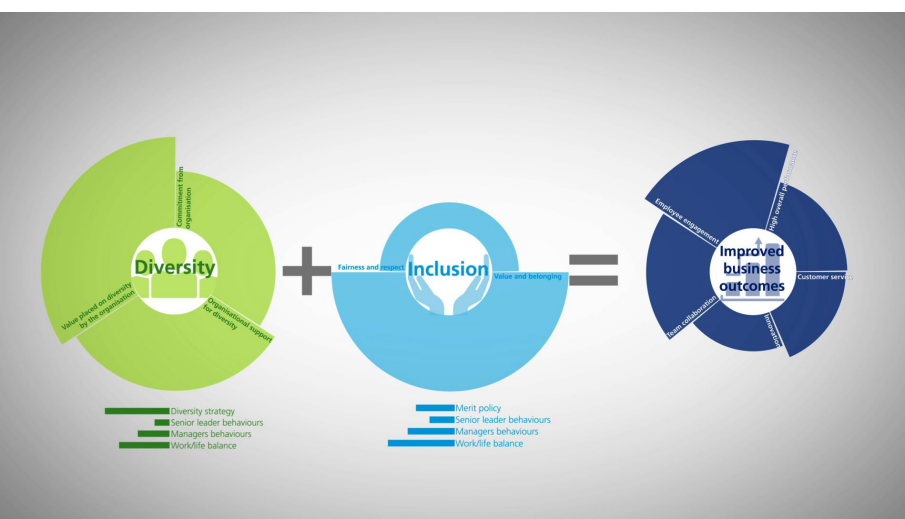
If innovation is needed, or higher levels of productivity, this research suggests that some of the answers lie within easy reach. They are locked up in the individual and group potential of diverse employees, and can only be unleashed by creating an inclusive working environment.

“The potential to lift business performance is locked up in the individual and group potential of diverse employees, and can only be unleashed by creating an inclusive working environment”

This research not only helps organisations to see business performance through the lens of diversity and inclusion, it also highlights the importance of a balanced focus on both drivers, rather than a lopsided focus on diversity. More than just naming the missing ingredient of inclusion, organisations can now have greater clarity about whether what they are seeing in their workplace soup is, in fact, inclusion. We now know, and can measure, inclusion in terms of fairness and respect, as well as value and belonging, and we also know what drives feelings of inclusion as well as a belief that an organisation is committed to, and supportive of, diversity. This knowledge means that organisations now have greater capacity to implement our primary finding that diversity + inclusion = improved business performance.

Of course every organisation is different, and in this sense this research only points to a general story. Prioritising change interventions to deliver the most effective outcomes means that organisations must collect and analyse their own data (and hopefully in 3D). Once that base is established, the preliminary structured equation Deloitte has developed through this research can help organisations predict, with much greater precision, the degree of impact on business performance of a change effort. This means that organisations can focus their scarce resources on those which will deliver the greatest ‘bang for buck’.

To view Deloitte’s animation of the relationship between diversity, inclusion and improved business outcomes visit www.deloitte.com/au/waiter



Methodology and contacts

Methodology

How was the model of diversity and inclusion identified?

Sample: The Deloitte Diversity, Inclusion and Business Performance Diagnostic (DDIBP) scores collected from three organisations domiciled in Australia were aggregated creating a sample size of 1,557.

Method: The survey was administered in July 2012. An exploratory factor analysis was used to identify the drivers, indicators and outcomes of diversity and inclusion. The exploratory factor analysis identified the underlying relationships between the items (questions) in the DDIBP. A confirmatory factor analysis was used to test the consistency of the drivers, indicators and outcome measures. The hypothesised model was then tested using structural equation modelling with the data of the 1,557 respondents. The measures are reliable with a minimum Cronbach's alpha coefficient of .7.

Definitions of the drivers:

Diversity strategy: A group of questions relating to practices that indicate organisational practices are aligned with a diversity strategy, e.g. encouraging diversity in recruitment, diversity being central to business strategy.

Merit: These questions focused on practices that ensure fairness in recruitment, progression, development opportunities and performance management.

Senior leader behaviours: These questions focused on senior leaders behaviours in terms of driving inclusion and diversity, e. g. creating an inclusive culture, encouraging use of diverse talent.

Manager behaviours: These questions focussed on managers' actions that increased diversity and inclusion, e.g. their ability to provide feedback, listen to employees, inspire commitment to diversity and act in a fair and respectful manner.

Work Life Balance: These questions focussed on employees' ability to balance their work and home life, and respect for these arrangements.

How did we identify included/not included employees? Inclusion scores comprised two perceptual indicators; fairness & respect and valued & belonging. An employee was considered included if they had a positive overall perception score. Positive perception scores were represented by favourable responses to items in the survey. Specifically a positive perception score on inclusion was calculated when an individual responded more times with 'agree' or 'strongly agree' to each survey item (rather than 'slightly agree' or lower). A weighted score was identified for each respondent using results from the confirmatory factor analysis. A weighted score of 4.5/6 or larger was identified as 'included'.

Business performance calculations

Employee performance vs. inclusion: Calculated by comparing the percentage of employees 'included' against individual performance ratings.

Absenteeism vs. inclusion: Calculated by comparing the average hours each employee was absent per year, for each function, against the percentage of 'included' employees for that function.

Prioritising action for intervention: Calculated by comparing the average level of performance for each of the drivers within each company against their level of importance. Importance was analysed as the level of correlation of each driver to inclusion scores within each company. This allows a personalised and contextualised analysis of the priorities for each company.

Key Deloitte contacts

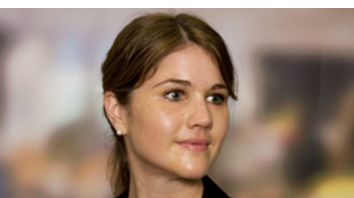


Juliet Bourke

Partner, Human Capital Consulting

Tel: +61 2 9322 7379

julietbourke@deloitte.com.au

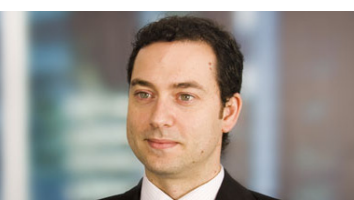


Bernadette Dillon

Director, Human Capital Consulting

Tel: +61 3 9671 7604

bdillon@deloitte.com.au



Richard Fraccaro

Manager, Deloitte Analytics Consulting

Tel: +61 3 9671 7675

rfraccaro@deloitte.com.au

Key Victorian Equal Opportunity and Human Rights Commission contacts

Murray McIntosh

Senior Adviser, Corporate Engagement

Tel: +61 3 9032 3400

Jane Lewis

Senior Education Consultant

Tel: +61 3 9032 3468

About Victorian Equal Opportunity and Human Rights Commission

The Victorian Equal Opportunity and Human Rights Commission has responsibilities under three laws: the *Equal Opportunity Act 2010*; the *Racial and Religious Tolerance Act 2001*; and the *Charter of Human Rights and Responsibilities Act 2006*.

We are committed to helping employers and service providers understand their positive duty to eliminate discrimination under the *Equal Opportunity Act 2010*, and provide the following services to assist:

- An education, training and consultancy service to equip corporate and community organisations and advocates to comply and develop good practice
- A free, friendly and accessible Enquiry Line service available by telephone, email or webchat
- Online information and practical resources about rights and responsibilities under equal opportunity, racial and religious vilification and the Charter of Human Rights and Responsibilities
- A free, fair and timely dispute resolution service.

The Commission also participates in a range of strategic partnerships and research projects designed to extend the evidence base around effective equal opportunity and human rights policy and practice.

Contact us

Deloitte

Grosvenor Place
225 George Street
Sydney NSW 2000

Tel: +61 2 9322 7000

Fax: +61 2 9322 7001

www.deloitte.com.au

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the “Deloitte Network”) is, by means of this publication, rendering professional advice or services.

Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia’s leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte’s web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2012 Deloitte Touche Tohmatsu.

MCBD_Mel_11/12_048135