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Diversity for Innovation

The Guide to Developing Diversity & Inclusion
as an Organizational Capability



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Introduction

Inclusive and diverse work environments positively impact the bottom line for business. Diversity has been shown to increase innovation and results in superior financial performance. Diverse and innovative organizations are better able to attract and retain the best talent and provide better service to their customers. As Google CEO, Sundar Pichai has said, “a diverse mix of voices and backgrounds and experiences leads to better discussions, better decisions, and better outcomes for everyone.”¹ Less clear is how to bring about the cultural and behavioral changes needed in the workplace for the benefits of diversity to emerge.

In **the first section** of this e-book, we discuss the business benefits of diversity and inclusion and why many organizations fall short. We suggest part of the problem is that we lump diversity and inclusion together as if they were one thing, whereas we should be thinking about them as separate concepts and initiatives. While forward progress is needed on both diversity and inclusion initiatives, organizational learning and development is critical to the development of the inclusive work cultures needed to ensure diversity initiatives thrive.

The second section discusses how diversity can be developed as an organizational capability that acts as a strategic enabler for innovation and growth. To develop such capabilities, organizations need to incorporate diversity and inclusion thinking into their corporate values as well as their strategies and programs.

In **the third section**, we shift from theory to execution and look at how the global construction solutions company, CEMEX, translated a high-level vision of diversity and inclusion to an operating model that runs through the organization from leaders to the front line.

The conclusion section provides three recommendations for organizations that want to cultivate diversity and inclusion as an organizational capability.

Unlock the Power of Diversity Through Inclusion



Diversity Is Good for Business

The business results are in, and they're conclusive: diversity in the workplace leads to superior financial results. According to a 2017 McKinsey study,² companies in the top quartile for gender diversity are 21% more likely to experience above-average profitability than companies in the fourth quartile. The results are even more pronounced for ethnic and cultural diversity: companies with ethnically diverse management are 33% more likely to outperform. Where does this boost in performance come from? The Center for Talent Innovation (CTI) has found that companies with 2D diversity—including 'inherent' diversity categories of gender, race, socio-economic background, etc., as well as 'acquired' diversity characteristics such as cultural fluency, generational savvy, technological literacy, and military experience—are 75% more likely to see ideas turn into products.³

Companies have responded to the business imperative as well as to recent social and cultural pressures by committing to diverse hiring policies. Often overlooked, however, is that the benefits of diversity only emerge in inclusive work environments. In an article in the Harvard Business Review, Laura Sherbin and Ripa Rashid write: "In the context of the workplace, diversity equals representation. Without inclusion, however, the crucial connections that attract diverse talent, encourage their participation, foster innovation, and lead to business growth won't happen."⁴ At many companies, however, inclusion remains elusive. According to a study by BCG, diverse employees feel far less able than employees of majority groups to share their perspectives at work.⁵ Those who do share their views often feel their voices have not been heard.

DIVERSITY CORRELATES WITH FINANCIAL PERFORMANCE

GENDER DIVERSITY



21%

more likely to outperform

ETHNIC DIVERSITY



33%

more likely to outperform

Source: McKinsey.²

**"Diversity is being invited to the party.
Inclusion is being asked to dance."**

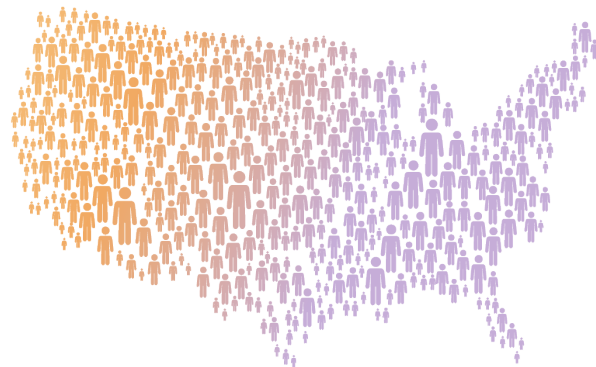
VERNĀ MYERS

VP Inclusion Strategy
Netflix

Diversity Fails Without Inclusion

Noted diversity advocate, Vernā Myers, expresses the difference between diversity and inclusion this way: "Diversity is being invited to the party. Inclusion is being asked to dance."⁶ At work, we all want to dance. The BCG study cited earlier found that 74 percent of straight white men, the dominant group in business, agree with the statement, "My perspectives at work matter and are listened to." That percentage drops substantially for diverse workers. Individuals with one dimension of diversity (e.g., white females, racially diverse males, or veterans) are 6% less likely to agree with the statement. And things go downhill from there. If you have three dimensions of diversity (e.g., a woman of color with a disability), you are a full 15% less likely to agree with the statement.

DIVERSE EMPLOYEES ARE NOT HEARD AT WORK



**ONLY
59%**

**of people with 3
dimensions of diversity
feel their perspectives
matter compared to
74% for the majority
population.**

Source: Center for Technology Innovation.⁵

The result is that if inclusion is not present, diversity efforts are doomed. Diverse employees are not listened to, are not promoted, and never really get into the leadership positions where they can actively shape a company's culture. There are no role models and no opportunities for networking and mentoring. Ultimately, the business itself suffers from the lack of effective problem solving and innovation that diverse workplace cultures bring. To avoid this downward spiral and to meet the social and business goals of diverse workplaces, companies need to pay equal, if not greater, attention to fostering inclusion at work.

Diversity and Inclusion Are Different Things

To move the conversation about diversity and inclusion in the workplace forward, we can step back and recognize that the two are very different things. Let's define the terms and explore the nuances inherent in each of them. Gallup defines diversity as follows:

Diversity represents the full spectrum of human demographic differences — race, religion, gender, sexual orientation, age, socio-economic status or physical disability. A lot of companies consider lifestyles, personality characteristics, perspectives, opinions, family composition, education level or tenure elements of diversity, too.⁷

This definition brings together the 'inherent' and 'acquired' diversity characteristics described by CTI. A company wishing to realize the business and social benefits of diversity should be expected to adopt policies and practices that produce diverse workforces. Some of these policies are purely compliance-driven. It is generally illegal to discriminate against differences in many workplace situations—for example, discrimination on the basis of gender, age, religion, veteran status, or disability.

Beyond the letter of the law, companies make business- and value-driven decisions to increase their workforce diversity. It is better for business to have a diverse set of people and perspectives when tackling complex problems. How much better? Consider this shocking, though maybe not surprising, stat from CTI: "when teams have one or more members who represent the gender, ethnicity, culture, generation, or sexual orientation of the team's target end user, the entire team is far more likely (as much as 158% more likely) to understand that target, increasing their likelihood of innovating effectively for that end user."⁸

Inclusion is different because it describes the social and cultural milieu where diversity plays out. According to Gallup:

Inclusion refers to a cultural and environmental feeling of belonging. It can be assessed as the extent to which employees are valued, respected, accepted and encouraged to fully participate in the organization.⁹

In other words, inclusion describes a set of attitudes, practices, and behaviors that occur in the workplace. While compliance with policies might form part of an inclusion strategy, the concept of inclusion itself is much more intimately connected with the mission and values of an organization. Organizations that are concerned with inclusion are fundamentally committed to changing culture and organizational character.

Moving Beyond Compliance

What is required to reap the benefits of a diverse workforce is not simply a matter of tweaking hiring policies and benefits. It's a wholesale change in culture to support a set of organizational values that center around inclusion. It represents a change in strategy, not tactics. Increasingly, however, companies are stepping forward with business visions that address issues of social and corporate responsibility and sustainable growth. In its August 2019 "Statement on the Purpose of a Corporation," the U.S. Business Roundtable specifically commits to "foster diversity and inclusion, dignity and respect."¹⁰

Leadership on issues of inclusion and diversity is critical in setting the direction for companies that aim to do good for all their stakeholders. The question remains, however, how to shift the aggregated attitudes and behaviors of thousands of workers quickly and at scale. In the next section, we discuss how diversity and inclusion need to be embedded in an organization's strategy, processes, and people, and how learning can be a critical component of making diverse and inclusive work environments a reality.

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Turning Diversity into an Organizational Capability



Why Diversity Programs Fail to Deliver

Diversity matters. It is the right thing to do and is also good for business. Companies with diverse workforces are better positioned to attract and retain the best talent, build employee engagement, increase innovation, and deliver better business outcomes. Yet, these benefits prove elusive for many organizations. Despite greater attention and increased investment in diversity programs, employees from diverse groups are not realizing the benefits. A worldwide survey of 16,500 people by BCG in 2018 found that although over 95% of respondents reported a diversity program in place at work, only about a quarter of employees in diverse groups said they had personally benefited from the program.¹¹ What's the problem? Basically, companies tend to launch diversity programs without planning for follow-through and implementation. The words and platitudes never get translated into practice in the workplace.

Instead of thinking about diversity and inclusion as a program or a strategy, companies should think instead in terms of organizational capability. Capabilities are unique combinations of people, processes, technologies, and behaviors that provide companies with a strategic advantage over their peers. Organizations that possess capabilities around business agility and innovation are better positioned to succeed in a rapidly changing world, not simply because they have the right people and learning programs in place, but because the organization as a whole has learned at a very deep level to be innovative and agile. While companies regularly tout marketplace advantage in their capabilities around leadership, innovation, lean operations, and so on, far fewer claim diversity as a key organizational strength in spite of the demonstrated value of diversity to the business bottom line.

FEW EXPERIENCE THE BENEFITS OF DIVERSITY PROGRAMS



95% report a diversity program at work.



ONLY 25% of diverse employees have personally benefited from them.

Source: BCG.¹¹

When companies incorporate values, they become part of the company's DNA and influence everything the organization does.

Add Values to Create Capabilities

Diversity and inclusion work is complex, challenging, and often ambiguous. It can be difficult to nail down the ROI on diversity and inclusion efforts when they compete with other corporate initiatives for resources and mindshare. This is the logical conclusion of approaching diversity and inclusion through the strategy approach alone. When pursuing a strategy, a company's leadership typically seeks to identify some measurable targets that correspond with some expected bump in performance. A team is chosen to implement and then measure the program that supports the strategy. In some cases, the program may meet its specific objectives but fail to produce the expected performance benefits. This happens when a company embarks on an aggressive diversity hiring spree and then fails to produce the expected performance improvement because the company's culture is not inclusive.

An alternate way to approach to diversity and inclusion is through values. When companies incorporate values, they become part of the company's DNA and influence everything the organization does.

Values form part of a company's vision and, as such, inform and shape strategies and goals the company pursues. Under this model, all employees from leadership down should represent these values internally and to customers and other external stakeholders. A company's actions should be consistent with and judged by its stated values. Under the values approach, diversity and inclusion become stable traits of both the company and the people who work for it. However, the value approach to diversity and inclusion is harder to measure and often trickier to implement since it goes to the heart of what a company is and does.

The values approach and the strategy approach are not mutually exclusive. When you combine the two, you are building an organizational capability. Values become part of the underlying corporate culture and determine the goals, the strategy, the process, and the measurement. Leadership embraces inclusion and showcases diversity. Company policies are sensitive to diverse employees and customers. A range of voices and perspectives shape processes. When these environments exist, collaboration and innovation emerge in the development and execution of strategy. This is what drives business results.





A Concrete Example: **CEMEX**

Think Big, Get Started, Then Scale

Embracing diversity as an organizational capability is championed by leaders such as **Beatriz Tumoine, Global Planning and Development Director for CEMEX**, the Mexico-based construction solutions giant with over 42,000 employees in more than 50 countries. Recently, Tumoine outlined the ambitions and challenges associated with fostering a diversity mindset in an industry that struggles to emerge from macho stereotypes. Not only does she see diversity as a capability that needs to infuse the company from top to bottom, she and the CEMEX leadership team see diversity as a strategic enabler that will drive their business forward.

The Diversity Capability as a Strategic Enabler

At CEMEX, the urgency to develop diversity as an organizational capability emerged in the context of the company's digital transformation, shifting business environments, and an industry that is consolidating rapidly. As company leadership reflected on how to develop new revenue streams and new evidence of growth, they realized they could not easily identify the skills they needed inside the organization. This inspired the push for diversity as a strategic capability to be developed by the company.

As Tumoine says, "If we are a company committed to innovation and the creation of new ideas and revenue streams, we need to bring in that capability through opening spaces for the voices of everyone." As a global company, CEMEX realized just how important it was to add new personalities, alternative thinking, and a better understanding of their global markets. Diversity at CEMEX is now seen as a strategic enabler for the growth of the business.



"If we are a company committed to innovation and the creation of new ideas and revenue streams, we need to bring in that capability through opening spaces for the voices of everyone."

BEATRIZ TUMOINE

Global Planning and Development Director
CEMEX

Start with Tangible Goals

One of the many challenges in developing diversity as an organizational capability is where to start. Diversity operates on so many dimensions at work, whether you're thinking about gender, race, age, religion, disability, sexual orientation, education, social background, or so on. The challenges multiply when you add in regional or cultural belief systems. As a company that is committed to a global "One CEMEX" culture and with operations in over 50 countries, the challenge is how to instill the values of diversity and inclusion consistently across its global footprint.

Like many complex systematic overhauls, an effective approach is to focus on a small set of urgent, tangible goals. That is not to say that other concerns are unimportant; it's just that success in the most visible areas will pave the way for progress in others. At CEMEX, three strategic priorities were identified for the company's diversity and inclusion efforts.

DIVERSITY GOALS AT CEMEX



Global Diversity

CEMEX has over 42,000 employees in 50 countries and grew rapidly through acquisition and expansion. The company has an opportunity to take advantage of an inherent diversity in its workforce and operations. The challenge is to bring more voices to the table, which reflect the needs of a diverse and global customer base.



Gender Diversity

Gender diversity for CEMEX is more than “Women at Work.” The reality for CEMEX is that more women are already actively participating in the markets they serve, which goes against deeply held beliefs about the construction industry. CEMEX has committed to a 50:50 hiring balance by 2030.



Age Diversity

The third priority for CEMEX is to create the right balance of opportunities for the diverse set of generations in its workforce. There is an over-representation of Gen X across all roles, so the challenge is to integrate younger generations and provide opportunities for growth and leadership.

Make Diversity a Priority at All Levels

Tumoine is clear-headed about the challenges that face her company in enacting its diversity and inclusion model. It’s a journey, but it has to start somewhere. One of the innovations CEMEX has introduced is to incorporate diversity and inclusion as values that permeate priorities at all levels of the organization. At the highest level, this involves CEO and board updates, compliance with their UN Social Development Goals,¹² and monitoring demographic changes. Diversity and inclusion is also incorporated into company policies and processes—the company’s official 2018 Workplace Diversity & Inclusion policy, but also work leave programs, harassment policies, and ethics code. In learning and development programs, D&I is incorporated into leadership development and coaching programs.

To achieve a global scale, the company leverages learning technology to deliver diversity and inclusion learning programs quickly and uniformly across all regions.

**Diversity is a journey,
but it has to start
somewhere.**



Using Learning Technology to Build a More Diverse and Inclusive Culture

Policies and statements about diversity and inclusion have little impact unless they spread throughout the organization. As a first step in enacting widespread change, CEMEX has created a learning experience around the topic of Unconscious Bias and uses the NovoEd platform to scale delivery of the program. This initial step is intended to create awareness of the company's diverse talent base and to prepare for future key company decisions. The CEMEX program was envisioned and developed in-house and incorporated three key design principles.

THREE KEY DESIGN PRINCIPLES



Leaders as Teachers

Consistent with CEMEX beliefs that change comes from the top, the learning experience adopts a “leaders as teachers” model. Leaders lead and engage in discussions on the platform and the experience showcases videos from a diverse set of senior company leaders from around the world.

Varied Learning Resources

The learning experience incorporates a range of learning resources. Some were created internally, while others are external. For example, learners take the freely accessible **Project Implicit**¹³ test that measures attitudes and beliefs that people may be unwilling or unable to report.



Learning in the Context of Real Work

Learners are provided with opportunities to apply learning to their daily work. For example, during the experience’s “Week of Awareness,” learners submit journal entries on NovoEd and connect with their peers to share feedback on each other’s entries. This social learning experience allows for the sharing of perspectives and ideas, leading to the alignment of a common mindset.



Conclusion & Recommendations



Achieving Success Through Diversity

We conclude this e-book with three recommendations for how you can cultivate diversity and inclusion as an organizational capability. By embracing diversity and inclusion as part of your company's values as well as strategy, your corporate culture can become more welcoming and productive for employees and customers alike.

1

Make Leaders Accountable

Corporate culture starts at the top. It is the job of senior leadership to define an organization's values and to ensure they are embodied throughout the organization. This is not a function that can be delegated to HR alone. Leaders need to be seen embracing diversity and inclusion as values. They need to speak and act openly about the challenges and opportunities of diversity and inclusion. They are responsible for being inclusive themselves and ensuring their teams are built to embrace diversity.

2

Embed D&I in Your Talent Management Strategy

CEMEX's Tumoine advises organizations to "make sure diversity and inclusion is embedded in talent management strategy and is not an island." By embedding diversity and inclusion principles throughout the organization in policies, processes, and learning programs, companies can create delightful experiences for employees. This results in meaningful and fulfilling work environments, trusting relationships at work, and improved collaboration and innovation.

3

Involve the Organization Through Social Learning

Finally, involve the full organization. Culture change does not happen overnight and requires reflection, communication, and collaboration to get things right. Social learning allows people to connect and have frank discussions with their peers and leaders in a psychologically safe space. Technology enables the rapid scaling of social learning programs around diversity and inclusion and brings diverse learners from around the globe together in a way that can't happen in local workshops and click-through digital learning experiences

Social learning platforms like NovoEd bring diverse, distributed workforces together to engage in conversation and reflection about diversity and inclusion in a way that can't happen in local workshops and off-the-shelf e-learning.

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About NovoEd

NovoEd's collaborative learning platform empowers organizations to design and deliver experiential learning that accelerates business performance on a global scale. Since the company's founding at Stanford's social algorithm laboratory in 2012, global corporations, executive education providers, and training firms have relied on NovoEd to develop high-value capabilities through purposeful practice and application, coaching and mentorship, and group collaboration. NovoEd's proven approach to learning connects diverse groups of learners, mentors, and leaders in a high-impact online environment which unlocks an organization's collective knowledge and drives measurable outcomes.

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