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# What Diversity & Inclusion Is *Really* About

By Joerg Schmitz

**An individual's mental models are the primary limiting factors to achieving his or her potential. Similarly, business models and ingrained biases can be limiting factors for a company and its employees. Diversity & Inclusion (D&I) pushes the limits of both mental models and organizational biases to realize the full and best potential of individuals and organizations. With increasing demands in the global context for responsiveness, adaptability, innovation, speed and responsible corporate citizenship, organizations cannot afford to dismiss the potential benefits of Diversity & Inclusion. However, bringing D&I to the organization can initially be difficult and painful, as the process requires clarity of purpose, resolve, focus and a carefully crafted, locally relevant strategy.**

When done well, Diversity & Inclusion can improve performance at levels akin to Six Sigma, Quality, ERP, Lean and others that have swept global enterprises. Each of these initiatives acts on causal links between individual behavior, business processes and business results. Based on careful mapping and analysis, they yield prescriptions for behavioral and process changes. Productivity gains, expansion, growth and sometimes simply survival justify the investment of cost, time and organizational energy demanded by these changes.

In contrast to the improvement initiatives mentioned above, D&I is often surrounded by a considerable "fog" that leaves many managers and executives with a profound sense of discomfort. This is not surprising, considering that:

- D&I seeks to address a broad, complex and seemingly intangible set of issues because it focuses on a qualitatively different, causal connection. This connection lies outside the usual professional expertise or functional training of managers and executives and concerns the human dimension of organization – i.e., our psychology and sociology;
- The term "Diversity" does not resonate with managers outside the

Anglosphere<sup>1</sup>. At first glance, it equates to a U.S. phenomenon with little local relevance and implies the undesirable notion of "political correctness."

- D&I rests on a specific set of assumptions about work, organizations and the current and future roles and responsibilities of companies in society. These issues often have not been contemplated, and if they had, the stock answer had been a half-hearted commitment to representation—usually in the form of quotas or targets for women or ethnic minorities. They are rarely deemed critical or strategic business concerns.

This article looks at each of these sources for the "fog" surrounding Diversity & Inclusion and attempts to answer a single question: *What is Diversity & Inclusion really about?*

## 1. HUMAN PSYCHOLOGY AND SOCIOLOGY AT WORK

There are few managers and employees who have not been deeply irritated and frustrated by their co-workers, bosses, reports or business partners at some point. One simply has to listen to the lunchtime conversations between colleagues. Even fewer managers and employees can claim that their

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<sup>1</sup> The term "Anglosphere" refers to the sphere of influence of English and Anglo-American culture.

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frustrations are (a) based entirely on “facts,” and (b) distinct from their own judgments, evaluations, biases and stereotypes.

Reflecting the society around them on one hand, and acting within and upon it on the other, individual managers and employees behave according to biases that are deeply ingrained in their social context. In turn, organizations all too often reflect these social biases in their management practices, systems and processes and institutionalize them in their culture.

**Ask about the factors that make individuals successful in their organization. Or, think about the success profile in your own organization.**

You are likely to identify a list that only partially includes characteristics directly related to merit, skill or performance.

Like any other human endeavor, business and management is subject to human psychology and sociology. Understanding how the invariable blind-spots in human psychology and sociology facilitate or hinder business performance can yield powerful insights. Using these insights to improve performance is at the core of the Diversity & Inclusion mission.

frequently yield unproductive and undesirable business and personal results. In some cases, they may blind individuals to opportunities and insights that directly affect the competitiveness of the organization. And competitiveness is, after all, directly linked to the local societal dynamics that constitute the organization’s markets.

## **2. THE UNIVERSAL DRIVERS OF DIVERSITY & INCLUSION**

The first confounding problem is that the terms “diversity” and “inclusion” do not

translate meaningfully into many languages. As a result, it takes time and additional effort to absorb and translate them in a meaningful and relevant way.

In simple terms, diversity refers to variance and variability from a cultural norm. In organizational terms, diversity refers to employees who do not confirm to what is expected, reinforced, and rewarded as “successful and desirable” by the organization culture. Inclusion, on the other hand, refers to a condition which allows this variance and variability to exist and flourish. In organizational terms, inclusion refers to the climate and culture that allows employees who do not conform to the norm to flourish within the organization.

These general concepts gain relevance to business and performance improvement when we understand the various changes and challenges affecting organizations both on a global and local level.

Generally, there are three specific forces that make Diversity & Inclusion relevant to all organizations:

a. *The external and internal forces of globalization.*

Externally, globalization simply refers to the increased level of interconnectedness of business processes. The international setting of business brings different societies (i.e., political, economic and social systems) and peoples with distinct historical, linguistic, economic and cultural backgrounds into contact.

The sheer scale and scope of differences that characterize the global business environment (including suppliers, partners and customers) poses significant obstacles as well as opportunities.

**Business news is replete with examples of obstacles and opportunities involving customers, partners and supplier diversity.**

Walmart significantly underestimated the cultural differences between its U.S. and German customers, complicating the launch of the Walmart brand in Germany.

Outsourcing IT and Customer Service functions to India has proven to be good examples of both obstacles and opportunities. Reducing cost is only a meaningful investment if the culturally different notions of customer service and customer/client expectations, as well as language and culture barriers are carefully and successfully understood and managed.

Internally, globalization refers to the development of a multi-dimensional matrix that draws from different levels of reporting relationships across functional groups, geographies and business units. This complex web of relationships changes the very context and salient success factors of managers and leaders.

Being able to manage diverse talent (culturally, linguistically, functionally) remotely and influencing and collaborating with colleagues of dissimilar backgrounds and experiences requires specific awareness, knowledge and skills.

*b. Marketplace and workforce developments*

The complexity of globalization becomes only more daunting when companies realize the trends in their marketplace for goods, services and talent.

- The workforce in industrialized economies is maturing

**Consider the following examples. What are the personal and business impacts in each case?**

An Italian member of a cross-functional, pan-European team complains about the quality and effectiveness of weekly teleconferences. He finds that they are dominated by Anglophones; i.e., those whose native language is English or who speak English with near native fluency. Not comfortable with English, he feels that his viewpoints, opinions and perspectives are not appropriately considered. As a result, he and others felt disconnected and unmotivated.

A Danish leader of a global team in a Danish pharmaceutical company schedules the first annual team meeting. On the agenda is a teambuilding activity that includes a pig roast. No provisions are made for the vegetarian team members from India, the Muslim team members from Pakistan, or the Jewish team members from Israel and the United States. Not only does this oversight create embarrassment, but it undermines the intent of the teambuilding--to foster trust and cohesion among its geographically dispersed members.

- The percentage of immigrants and minorities in the workforce of industrialized countries is increasing
- The proportion of women in the workforce and in decision-making positions is increasing
- People with disabilities are increasingly represented in the workforce
- Social and legal acceptance and recognition of gay and lesbian sexual orientations is increasing

Each of the above trends has significant potential implications for organizations. For example, the aging of the population

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and workforce will require organizations to rethink retirement ages, flexible work arrangements, and design policies and work systems that consider the need for dependent care. Also, product and service design will need to take this trend into account.

**Consider the following examples:**

A leading mortgage lender in the United States identified that the growing percentage of Asians and Hispanics in the United States presented a lucrative and underserved market. Determined to become the #1 lender in minority markets, this organization launched a massive training effort of its employees.

Gays and lesbians in the U.S. and in Northern Europe have been identified as consumers with comparatively higher discretionary budgets. Creating customer loyalty from this market segment is a desirable business goal that IKEA, the Swedish furniture outlet, and the Singapore Tourist Board have actively targeted.

*c. Legal compliance requirements and mandates*

Equal opportunity and anti-discrimination legislation has been a major driver of diversity & inclusion, particularly in western countries. Anti-discrimination provisions and equal opportunity legislation currently exists in 68 countries. Out of these, 36 percent, or 25 countries, have reporting requirements and 20 monitor compliance.

*After* all, the U.S. initiatives are steeped in the social and legal context of the United States.

Where lack of legal compliance endangers the public and brand image,

it will invariably alter customer behavior. Besides negating the costs of legal noncompliance, diversity & inclusion can directly affect the bottom line and competitive position of an organization.

However, the lack of legal mandates in some countries does not render diversity & inclusion efforts irrelevant or invalid in those places. It simply suggests that the sources of efficiency and performance improvements linked to D&I need to be sought elsewhere.

**3. DIVERSITY & INCLUSION VALUES AND WORLDVIEW**

Perhaps most fundamental to the issue of Diversity & Inclusion is the acceptance of the underlying worldview and value system. Business leaders have to think through these values and determine the degree to which they expect their organization to model them.

*Variance and variability from and non-conformance with the social norm are positive and need to be encouraged –* Social norms pervade societies and organizations alike. D&I work is built on the belief that static and unchallenged social norms stifle creativity and innovation, create complacency and ultimately hinder agility and adaptability. Ensuring that a diversity of thought, opinions, experiences and perspectives are represented within an organization is often the essential breeding ground for innovation and growth.

***Freedom from discrimination is a universal right, including at work.*** Not unrelated to the first value, D&I is rooted in a stance of discrimination-free, fair and equitable labor practices. This set of beliefs is probably best articulated by the Declaration of Fundamental Principles and Rights at Work, formulated by the United Nation's International Labour Organization (ILO)<sup>2</sup>.

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<sup>2</sup> See [www.ilo.org](http://www.ilo.org)

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**Meritocracy and individual performance orientation are the only permissible standards within an organization.** This is the conviction that only the performance-related skills of individuals should determine success in an organization. In recruitment, selection, promotion and the terms and conditions of work only individual merit- and skill-related aspects are relevant.

**Business success rests on future-oriented strategic planning.** To ensure the continuing competitive health of an organization, change may be required today. Foresight now prepares an organization to lead in the future when business conditions may be radically different. Projections and trends must be carefully tracked to determine their potential impact and specific actions are taken to position the business in a leading position.

The profound consequences of demographic trends that are projected to affect both the workforce and consumer base will force many organizations to rethink policies, strategies, products and services.

**Companies need to prove themselves as Ethical and Responsible Corporate Citizens in order to grow and survive.** In particular global companies need to become good local citizens that understand the needs of their customers and value the communities from which they derive profit. The reputation for being a responsible agent within the community has positive impact on public perception and appeal as an employer, securing the company's longevity in the given market.

For leaders who embrace any combination of the above values, D&I is the vehicle for their realization.

### Explore your own underlying belief system

Review the core beliefs and values represented above and assess the strength with which you share them. The ones that resonate strongest will probably define your personal affinity to the various issues and topics of *Diversity & Inclusion*.

#### Ask yourself:

1. To what degree does my organization believe in and support these principles?
2. How can my business benefit from acting on these beliefs and principles?
3. What am I willing to do in my sphere of influence?

### DIVERSITY IS A GIVEN, INCLUSION IS OPTIONAL

Especially in global organizations, bringing diversity into the organization is no longer an option and certainly not the most central question. However, depending on location or specific circumstances, targeting an increase in diverse employees may be warranted.

The focus on representation is most often related to women, ethnic minorities and/or people with disabilities. Though often part of the D&I agenda, the perception that D&I is only about the fulfillment of quotas needs to be carefully avoided. Such an outlook clouds the real benefits of D&I.

A global organization is intrinsically characterized by a high level of diversity, particularly on a linguistic, cultural and experiential basis.

What is not a given, however, is the degree to which the organization culture is inclusive—i.e., allows the diversity of its employees to thrive and fully contribute to the organization.

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Realizing organizational benefits (innovation, growth and/or efficiency) is precisely what links D&I work to the competitiveness of the organization. The organization that understands and focuses their D&I initiatives on these goals will have the edge.

**Be prepared: Bringing D&I to an Organization is a Difficult and Painful Step – At Least at First**

Because its focus on a causal link that is counterintuitive to many managers; its reliance on local relevance and future-oriented strategic planning; and its dependence on a distinct set of values, D&I is neither easy to sell nor simple to import.

In fact, most organizations need to make D&I relevant in their own very specific ways to reap its benefits. A typical progression followed to achieve this relevance:

1. It starts with a single sponsor who is convinced and passionate about the value of D&I. This sponsor is often, but not always, located in the HR function.
2. Conversion of a guiding coalition. The sponsor, based on his/her conviction, energy and vision, needs to assemble a guiding coalition that has the authority and conviction necessary for investing in D&I as a business improvement initiative. Achieving the conversion of a coalition is not an easy task. For many, the foggy concept of D&I needs to be more concrete and locally relevant, divested of the common notion of US-centricity and/or perceptions that it is all about “women” or “quotas.”
3. Creation of a vision, credo and business case for the organization. It is important to recognize that there is not one single business case for D&I. Since the potential topics and

issues of D&I are so vast, the underlying rationale needs to be articulated on the basis of what is relevant to the business and its operating environments. This requires analysis and understanding of trends and causal connectedness, as well as the articulation of a values platform, D&I credo and specific goals and expectations.

4. D&I needs to be communicated and contextualized in a way relevant and appropriate for the organization. A carefully crafted communications strategy should be deployed to articulate the expected changes and the essence of the D&I focus.
5. Specific changes and goals need to be enabled, pursued, achieved and their effectiveness measured. These will serve to bolster the case for D&I, gain wide-spread recognition for its value and rally support. On the basis of these discrete successes, the momentum to continue and broaden the initiative can be established.

What gets the journey started in a meaningful way is the careful contemplation of a variety of factors: (a) the dynamics of the marketplace, (b) the talent process, (c) the informal reinforcers of organizational culture (leadership culture) and (d) the formal reinforcers of organizational culture (systems, policies, practices, standards, etc.).

Diversity and Inclusion is associated with a difficult corporate culture change. Linked to business strategy and rooted in corporate values, the mindset and skill set required to drive and implement this change is called *Inclusive Leadership*.

*Inclusive Leadership* is defined as *setting and reinforcing standards for business practices that enable individuals and groups to contribute to their fullest potential by leveraging their*

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*unique experiences, perspectives and viewpoints for the collective benefit of all stakeholders.*

In an increasingly interconnected, dynamic, and complex business environment, those companies that cultivate Inclusive Leadership within their organization are positioning themselves to lead.

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