Leveraging Differences and Inclusion Pays Off

Measuring the Impact on Profits and Productivity

By Judith H. Katz and Frederick A. Miller

One of the greatest challenges organizations face in their efforts to leverage differences and build inclusion is they are often viewed as “soft”—as contributing tangentially, at best, to the “real” operations and business results of the organization, and possibly most damnable of all, as unmeasurable (Hubbard, 2004).

Today we are seeing a greater range of metrics and measures to assess progress with respect to diversity targets and goals; however, connecting diversity and inclusion (D&I) change efforts to the bottom line continues to be a challenge for most organizations and change agents. Many organizations talk about the importance of D&I to their success but still are not able to make the direct connection to achieving organizational objectives and bottom-line results (Cross, Katz, Miller, & Seashore, 2004; Heitner, Kahn, & Sherman, 2013). In this article, we present nine examples of measurable, bottom-line results achieved through the implementation of total systems change efforts to create inclusive workplace practices and interactions that leverage differences.

Identifying Metrics that Matter

One of the many challenges raised about D&I efforts is in how to measure success. In some organizations, success is judged by increased diversity. Measures and metrics often focus on elements of talent management—such as hiring, retention turnover, promotions, training, development, and pay equity. These measures might also include the return on investment (ROI) that diversity brings, including savings due to increased retention and reduced absenteeism (Balter, Chow, & Yin, 2014). In addition to looking at increased representation and savings with respect to talent, some organizations are also focusing their metrics on inclusion by integrating questions about the culture and the degree to which people feel included into employee engagement surveys (Balter, Chow, & Yin, 2014). Other organizations have added to their stable of metrics a focus on increased representation in supplier diversity and multicultural marketing (Brenman, 2013; Hubbard, 2004).

The good news is that there is a growing sophistication with respect to how organizations are framing and thinking about D&I efforts and their impact. As these efforts become more integrated into business processes—as they become a way of doing business—how they are measured becomes more integrated into the work of the organization as well. Some leaders and change agents pay careful attention to the business measures that suffer when people are not included and interacting effectively, then monitor how those measures change as D&I efforts unfold. For instance, operations leaders at an airline began mapping the impact of D&I training to concourse ramp employees’ ability to get planes out on time. This type of bottom-line measure clearly demonstrates how a culture of inclusion that leverages differences impacts productivity and performance; in short, why these metrics matter.
How Strategies to Build Inclusive Workplace Practices and Interactions that Leverage Differences Impact Bottom-line ROI

Data gathered from decades’ worth of employee surveys, focus groups, and individual interviews have reinforced that inclusion is a prerequisite for engagement, performance, and collaboration (Allen, Bryant, & Vardaman, 2010; Lockwood, 2005). For people to do their best work as individuals and members of well-functioning teams, they need to have a sense of belonging; to feel recognized, respected, and valued for who they are; and to experience supportive energy from their leaders, colleagues, and others, enabling them to contribute and grow (Miller & Katz, 2002).

When inclusion is the common language of the organization, people understand one another more quickly and more accurately; they have the sense of safety needed to speak up, make problems visible, and address problems quickly rather than being afraid of being seen as the dissenting voice or the bearer of bad news. As a result, problem solving and decision making are accelerated and waste is eliminated (Katz & Miller, 2013). Making inclusion a way of life requires more than training or an increase in representation, but a comprehensive and targeted systems approach, tailored to the needs of the business, in which differences and inclusion are a means (not ends unto themselves) to achieving higher performance, impacting everyday interactions and decisions. A total systems change effort needs to be undertaken to create a major shift in what is valued, who is at the table, how people interact, and how work gets done.

Following are nine examples of the bottom-line impact of inclusion culture change efforts. Common elements of these change strategies included:

» Selecting, educating, and supporting a core group of internal change advocates focused on accelerating change through peer-to-peer interaction;

» Conducting organization-wide education on the practice of inclusive behaviors to develop skills to leverage differences and create a common language across the organization (see Figure 4, “Conscious Actions for Inclusion”);

» Just-in-time coaching regarding inclusive mindsets and behaviors for teams;

» Implementing a measurement tool to hold people accountable for demonstrating inclusive behaviors (the “Commitment Curve to Mastery,” see Figure 1);

» Revising people policies to reflect inclusive values and practices (e.g., selection, hiring, coaching, development, performance reviews, rewards/bonuses, promotions;

» Implementing tools to enable clear communication and eliminate waste in meetings and day-to-day interactions; and

» Identifying core business processes and metrics where greater inclusion would improve to a significant degree.

The nine examples are taken from inclusion-building efforts within Fortune 100 companies, ranging from multinational manufacturing, to financial services, to supply-chain and customer service all over the globe. Other clients that have successfully implemented similar inclusion strategies include large nonprofits, educational institutions, municipalities, and governmental organizations. The following outcomes were assessed using measures that were important to the organizations themselves—how they improved the bottom line and/or delivery of services.

Example 1: Decreased Defects and Increased Quality

Manufacturing Plant, North America

Quality defects due to human error had been climbing for over a year when a quality improvement strategy was initiated. At about the same time, a multi-phased inclusion effort was initiated that included foundational inclusion education for people leaders, building a cohort of internal change agents, providing just-in-time coaching for leaders and team members in inclusive mindsets and behaviors, and forming compliance teams. Figure
2 illustrates the impact of these targeted actions to reduce human error. The number of human errors decreased from a monthly high of 160 in mid-June to 29 in December. The compliance team’s performance, which was integral to the reduction of human errors in the process, was specifically enabled by integrating inclusive mindsets and behaviors into day-to-day interactions.

Example 2:
Changeover Decreased and Volume Increased

Manufacturing Plant, Central America
In the one-year period following implementation of the inclusion change effort focusing on enhancing day-to-day interactions and collaboration among line managers and work teams, company managers reported a noticeable increase in employee morale and job satisfaction. When an aggressive plan was announced to decrease manufacturing downtime, often incurred when changing from one process or product to another, individuals at all levels felt safe to lean into discomfort and share solutions to address the new schedule without detrimental effects on performance. They were also able to address root cause problems that had previously led to inefficient changeovers with more than 16 hours of downtime. The inclusive way the scheduling change was implemented resulted in the following improvements:
» 48% unplanned volume increase;
» Customer service level of 100%;
» Time allotted to changeovers decreased from 3.55 hours to 2.8 hours, on average;
» Schedule adherence and run-time accuracy remained at 100%; and
» Production plan was fulfilled with minimal or no overtime.

Example 3:
Production Targets Reached and Exceeded

Manufacturing Plant, Europe
To meet new organizational targets, the plant needed to raise its production from an average of 4.6 lots per week to a new target of 5.5 lots—and do it within two months (Figure 3). Instead of repeating past practices of simply announcing the goal and which changes to make, the plant leader met with and solicited ideas from shop floor team members about how to increase production. The result was that the plant not only met the new target, it exceeded it.
» 4.6 lots per week: Previous production levels;
» 5.5 lots per week: New performance target; and
» 6.0 lots per week: Actual performance level achieved within specified two months.
Example 4: Reduced Process Time

Manufacturing Plant, Central America
Prior to the inclusion-building change effort, suggestions from shop floor employees for process improvements were discouraged and new team members were expected to defer to seniority. After implementing inclusive practices, a new team member felt empowered enough to present an idea for automating a time-consuming process of manually labeling packages.

The automated process reduced batch process time from 1 hour to 5 minutes—a 92% reduction—while also reducing the margin of error associated with manual input. Many other innovative ideas began to flourish as shop floor team members felt a sense of safety to engage and individuals could bring “fresh eyes” and their voice to solving problems.

» 92% reduction in process time (from 1 hour to 5 minutes per batch); and
» Process errors: significantly reduced.

Example 5: More Efficient Meetings and Time Saved

Manufacturing Organization, North America
In response to team members’ complaints about ineffective meetings, a 17-member safety team began using a new “Standard Work Agenda” with enhanced norms of interaction. The Standard Work Agenda, distributed in advance of any meeting, clarifies not only the agenda, but also the purpose of the meeting, the ground rules, and the people invited. By listing ground rules, people come into the meeting on the same page regarding how they will interact and how they will achieve the purpose of the meeting. By stating ground rules, people come into the meeting knowing what the discussion is and how best to contribute. The result is having the right people doing the right work at the right time. Incorporating this inclusive meeting norm reduced the team’s monthly meeting time by 30 minutes, while increasing members’ ratings of meeting effectiveness.

» 8.5 working hours per month saved for one team.

Example 6: Decreased Errors and Increased Quality

Packaging Production Facility, North America
The Quality Assurance Group conducted approximately 1,000 shop floor inspections
annually. In the year before the area began to focus on inclusion, there were 2,100 quality observations/ errors identified during these inspections (Table 1). After engaging the shop floor operators to use inclusive mindsets and behaviors to make problems visible and take ownership for preventing errors, the area went from 2,100 quality errors to 550 in a three-year period. The three shift teams joined to own the quality issues together, rather than blaming each other or assuming that management was accountable. This drastic reduction in observations improved productivity, increased efficiency, and empowered operators to be accountable for quality. Moreover, as a result of the increased involvement, people were more engaged and turnover decreased.

Example 7: Reduced Costs and Increased Profitability

**Insurance Company, North America**

To turn around an underperforming claim office, a leader implemented inclusive mindsets and behaviors throughout the office, re-engineered the center’s processes using a diverse team, and piloted a customer care team (Table 2). The leader also chartered a Diversity and Inclusion Committee that modeled inclusive behaviors and collaboration, initiated processes for increasing team member engagement, and provided a feedback loop to leadership. Business results significantly increased in the year following the implementation of these actions.

Example 8: Created a New Model Using Inclusion for Increased Profitability and Innovation

**Insurance Company, North America**

A claim center leader needed to develop and implement a new operating model for claim recovery (Table 3). Inclusive mindsets and behaviors were integrated into their day-to-day interactions. As a result, collaboration and innovative problem solving increased and the center became a profitable model adopted throughout carrier’s offices in the U.S.

Example 9: Increased Right First Time and Overall Process Improvements

**Manufacturing Plant, Europe**

Since implementing an effort focused on improving workplace interactions using inclusive mindsets and behaviors, the plant saw significant improvements in morale, productivity, and plant safety. In addition to significant improvements in quality and customer service, the plant also received the “Best Factory” award in the People Development category, given by a European university management school.

Measurable Plant Accomplishments:

» Over 600 small but impactful improvements submitted and delivered by individuals;
Over 90% “Right First Time” on work orders; 
98.5% satisfaction with customer service; 
Zero maintenance calibration misses in over 1,000 working days; 
Zero major accidents for over two years; 
100% completion of corrective actions; and 
Deviations reduced by 70%.

The plant manager was quoted as saying, “The culture is absolutely alive and kicking. I see inclusion working in all our activities and in our results every day. We are a more connected and collaborative organization.” In addition to the tangible results above, he also identified improvements that he deemed equally important. These included: 
- Fantastic discretionary effort; 
- Rapid knowledge transfer; and 
- People speaking up and giving authentic feedback, helping to make the plant more high performing every day.

Conclusion

In many ways, the last example sums up the power and impact that creating a culture of inclusion that leverages differences can have on an organization’s ability to achieve results. Most leaders today want an organization that is “alive and kicking” and “connected and collaborative.” Whether the measures that matter are significantly increasing production, quality, innovation or reducing errors or costs, these examples demonstrate that inclusion does make a difference in bottom-line performance.

People ARE an organization’s most important asset—an asset whose value will grow immeasurably if unleashed by an inclusive culture that enables all the people of the organization to participate, collaborate, communicate, and do their best work.

When inclusion makes space for the uniquely different perspectives and skill sets present in the workforce and enables an environment that encourages and facilitates free-flowing interaction and collaboration between and among people from all backgrounds, divisions, disciplines, and hierarchical levels of the organization, that organization can deliver faster, cheaper, and more innovatively than before.

Implementing a change process that values inclusive mindsets and behaviors is one of the most effective paths for increasing productivity and innovation in today’s organizations. The results speak for themselves. In the dollars-and-cents numbers of return-on-investment, and in the energy and commitment that shows on the faces of people as they work together, inclusive practices produce results that can no longer be called “soft.” The only real words to describe them are “good business.”

References


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**Organization Development in Practice**

Editors
William J. Rothwell, Jacqueline M. Stavros, Roland L. Sullivan, and John Vogelsang

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Some of the chapters include:

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Billie T. Alban and Barbara Benedict Bunker describe the first and second wave of OD methods and their perspective on what is happening in the 21st century. When OD methods first emerged in the 1960s, they were considered innovative and exciting. OD practitioners have shifted their methods with time and adapted to current situations. However, Alban and Bunker question which of the current methods are new and which are just a repackaging of already existing practices. As the pace of change has accelerated, they also wonder whether the turbulent external environment has driven many to think they need new methods when what they may need is more creative adaptation of existing methods.

**How the Mind-Brain Revolution Supports the Evolution of OD Practice**

Teri Eagan, Julie Chesley, and Suzanne Lahl believe that the early promise of OD was inspired by a desire to influence human systems towards greater levels of justice, participation, and excellence. They propose that a critical and integrative neurobiological perspective holds the potential to advance OD in two ways: what we do—the nature and quality of our ability to assess and intervene in service of more effective organizations and a better world; and who we are—our competencies, resilience, and agility as practitioners.

**Culture of Opportunity: Building Resilient Organizations in a Time of Great Transition**

Mark Monchek, Lynnea Brinkerhoff, and Michael Pergola explore how to foster resiliency, the ability to respond effectively to change or challenges. They examine the inherent potential of resilient organizations to reinvent themselves by understanding their social networks, using design thinking, and utilizing the fundamentals of action research in a process called the Culture of Opportunity that leverages the talent, relationships, knowledge, capital, and communications that are largely fragmented and disconnected in most organizations. They outline the process of instilling a Culture of Opportunity within three distinct organizations that hit crisis points in response to changing environments and difficult circumstances.

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Denise Easton describes what emerges at the intersection of OD and Enterprise Knowledge Management, where a collaborative partnership accelerates the understanding, development, and transformation of dynamic, techno-centric systems of knowledge, information, learning, and networks found in 21st century organizations. When OD is part of developing knowledge management processes, systems, and structures the organization not only survives but thrives.

**Accelerating Change: New Ways of Thinking about Engaging the Whole System**

Paul D. Tolchinsky offers new ways of developing, nurturing, and leveraging intrapreneurship in organizations. Most organizations underutilize the capabilities and the entrepreneurial spirit of employees. Tolchinsky describes how to unleash the entrepreneurial energy that exists in most companies. In addition, he offers five suggestions organizations can implement, drawing on several examples from corporations such as Zappos, FedEx, HCL Technologies, and companies developing internal Kick Starters and crowd sourcing platforms.
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(continued next page)
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