

WALKING THE WALK?

MANAGERS,
INCLUSIVITY AND
ORGANISATIONAL
SUCCESS

FOREWORD

Few issues matter more to our economy than how best to maximise the value and productivity of our human capital – in ordinary English, how we get the most out of people’s talents and hard work. But we know that the answer does not lie purely in individual effort. What organisations do to recognise the range of capabilities that different kinds of individuals bring to the workplace can make the difference between a leader and a laggard in a competitive economy.

That is why understanding the significance of diversity is essential to modern thinking about the economy. Indeed, a whole new field of thinking – identity economics – has emerged in the past two decades; voices which question the importance of data and insight on diversity are in danger of fighting last century’s battles instead of contributing to a contemporary grasp of how to foster prosperity.

That does not mean that everything undertaken under the label DEI or EDI is sacred. As in every other field we learn with experience. More and better information about what works and what does not is vital. And crucially, we need to know whether the picture that leaders and managers have of their own organisations is shared by those who work for them.

The Chartered Management Institute’s recently convened Everyone Economy Advisory Committee seeks to pull together the evidence that demonstrates why meaningful workplace inclusion brings benefit to not just individuals, but employers and the wider economy.

This piece of work surveyed 529 HR decision makers and 1,021 employees with no management responsibilities to better understand the current state of workplace inclusion, specifically asking about the impact of skilled management practices, and to gauge what was making a difference to organisational success.

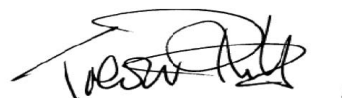
Perhaps the most intriguing result is the gap that exists between what HR decision-makers think is happening through their policies, and what employees understand of their organisation’s performance and behaviour in this area. The CMI refers to this as the enduring “say-do gap” that sweeps across a host of policies aimed at creating inclusive workplaces.

This research also lays bare the business benefits seen by organisations that take a “business-critical” view of inclusion policies and their implementation. Employees clearly make a distinction between, on the one hand, activities which are designed to demonstrate concern but make little difference to everyday behaviours in their organisations; and on the other, changes in the way that their managers carry out their functions. There is little doubt that it is the latter factor that matters to them.

This report shows that there is a clear line to be drawn between those employers that weave inclusion into their everyday work – and into the ways that managers are trained and developed – and their business outcomes, and those who do not. The first group appear to meet more of their objectives, finding it easier to recruit and retain talent, and have more success in implementing new innovative technology, and they also are more likely to embed inclusion as an expectation in their supply chains. Whether it’s the case that better managed organisations are more inclusive or vice versa, the association seems clear.

The aim of this research is to feed into and help inform a mature and evidence-based wider national conversation on inclusion. With a new Government having now taken office we are also at a time of possible policy change and inclusive workplaces is one area of potential policy opportunity.

It is our sincere hope that individuals, employers of all sizes and policy-makers find this work helpful in their discussions on what good looks like within their relative spheres. We hope to explain how better outcomes can be achieved through thoughtful, skilled management that consistently embeds action on inclusivity and works to close the “say-do gap”. Many thanks to the team at CMI for their hard work, to my colleagues on the Everyone Economy Advisory Committee who contributed their insights and expertise, and to the noted academics who reviewed our work to ensure it is both credible and robust.



Trevor Phillips, Chair

WHY THIS MATTERS NOW

There's a tendency to think that discussions about equality, diversity and inclusion are separate from discussions about performance, delivery and results. We think they belong in the same room. As Trevor Phillips says in this report, "understanding the significance of diversity and inclusion is essential to modern thinking about the economy".

But it's important to recognise that it's okay to have misgivings about "EDI initiatives".

Because if, in reality, all an organisation is doing in its "commitment to EDI" is ticking boxes or virtue-signalling, then it is perfectly legitimate to call them out. As this study indicates, plenty of employees do feel that their organisation is "talking the talk" but not yet "walking the walk".

What really matters in the whole debate – whatever the terminology used – is how people feel and are treated in your organisation. Are they getting a fair chance? Are obstacles being put in front of them because of who they are or where they come from? Are they treated with respect and dignity in their day-to-day work? Do they feel able to bring their best selves to work (remembering that individuals themselves have multiple dimensions)?

An organisation may have its cultural pillars emblazoned over the walls and a well-stocked "ESG" section on its website, but if the day-to-day experiences of its people are dispiriting and marginalising, then you're living a lie (or at best a mismatch).

And what is it that bridges that gap between aspiration and reality? We believe that it's the behaviours, skills and outlooks of your managers and leaders. That belief is stacked up by the findings in this research.

If your managers and leaders buy into, role-model and develop the behaviours related to equality, diversity and inclusion (in other words, they're fair, open-minded, relational and empathetic), then you will see your stated positions and your day-to-day realities starting to converge. And who doesn't want an organisation where objectives and culture are aligned?

So, yes, it is important that organisations develop EDI strategies and carefully monitor their progress. This will underpin your commitment. But at CMI we don't put EDI or indeed management models on a pedestal. What we want to see are great outcomes for employees, managers and organisations' bottom lines. Those great outcomes happen when managers and leaders behave right – when they treat colleagues with respect, when they listen and communicate, and have coaching-style conversations.

BE THE DIFFERENCE,

SEE THE DIFFERENCE.

KEY FINDINGS

A large proportion of HR leaders and employees say their organisation believes that a focus on EDI is important for success.

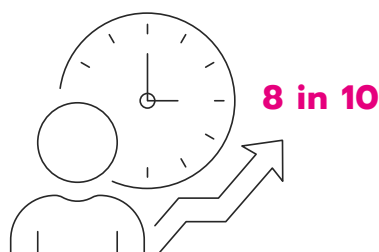


And both HR decision makers (79%) and employees (67%) believe their organisation has an inclusive culture overall.

Yet half of HR leaders and a third of employees report having seen discrimination and / or micro aggressions in their workplace.



There is strong evidence of a “say-hear” gap which may indicate a “say-do” gap - suggesting organisations have been focusing too much on a “tick box” approach:



Almost 8 in 10 (78%) HR leaders believe senior management identifies and deals with inappropriate behaviour in a timely manner, compared to fewer than 6 in 10 (57%) employees who are not in a management role.

- 3 out of 4 (73%) HR leaders believe their organisation has clear and transparent progression and promotion criteria, only half (50%) of employees say the same of their workplace.
- Even in those organisations that state that EDI is business-critical, 90% of HR decision-makers say they collect at least one type of pay data yet a far smaller percentage use this data to identify barriers to progression (55%), to identify and address training needs (54%) or to identify recruitment process improvements (57%). This suggests a significant underutilisation of valuable data that could drive meaningful change.

Inclusive practice seems to be more prevalent in firms whose HR leaders consider that the organisation is achieving its organisational objectives:

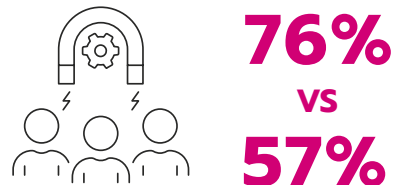
- Where HR leaders report their workplaces as viewing equality, diversity and inclusion (EDI) as business-critical they report that their organisation:
 - * Is meeting most or all of its overall objectives (75% vs 47% of organisations who do not share this “business-critical” view).
 - * Offers formal management training at every level and inclusion training to all managers.

Where HR leaders say their workplace views EDI as business-critical they also report:

Better success rates in attracting talent.



Better retention of existing employees.



Better use of technology to enhance business performance.



We find a strong association between inclusive cultures and wellbeing at work:

- Employees report significantly higher job satisfaction rates in workplaces where inclusion is deemed business-critical (79% vs 52%).

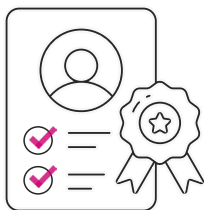


60%

Having a supportive manager was the most influential factor in people feeling supported and included at work (**60%**) higher than workplace culture (**53%**), flexible working arrangements (**47%**) and diversity and inclusion initiatives (**24%**).

- Those who said they are satisfied with their jobs are significantly more likely to say that senior managers in their organisation identify and deal with inappropriate behaviour in a timely manner (70% vs 20% who say they are not satisfied with their jobs).
- Those who say they are satisfied with their jobs are significantly more likely to say that senior managers have developed concrete action plans to improve inclusivity (61% vs 16% vs who said they are not satisfied with their job).
- This suggests that psychological safety plays a crucial role in employee satisfaction and manager behaviours are critical to creating a psychologically safe environment at work.

Management training appears to have a strong association with inclusivity:



30%

30% of employees are aware that their manager has received formal training. These employees are significantly more likely to feel supported (**87% vs 38%**), fairly treated (**90% vs 47%**) and that they can be themselves at work (**91% vs 55%**).

- In fact, employees who say their manager has received formal management training are significantly more likely to agree with all the positive statements about their manager compared to those who say their manager has not received formal management training.

There are practical actions that organisations / managers and leaders can take that appear to make a positive difference:

- For HR decision-makers, this includes senior management diversity and having an inclusive strategy that includes formal management training.
- For employees, the presence of feedback platforms like EDI committees and inclusion hubs appears effective in creating a positive, inclusive work environment.

NB.

We recognise there is an important debate about what kind of diversity matters more for success: demographic diversity, which includes differences like race and gender, versus cognitive diversity, which involves variations in how we think, believe, and what we know. This is a complex issue, highlighted for example by the Financial Conduct Authority,¹ which points out that diversity's impact on workplace success is nuanced and involves multiple factors. Both are valuable.

Through this work, we have identified many strong associations between workplace inclusion and organisational performance. However, establishing causation – directly linking inclusion efforts to improved performance – is beyond the scope of our study. Although our findings do suggest a significant link between the effective management of inclusion initiatives and positive company performance, we cannot conclusively say that workplace inclusion is the direct cause of these improvements or, indeed, whether it might be that more successful organisational environments give greater prioritisation to inclusion.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATIONS FOR LEADERSHIP TEAMS

- Actively engage in and support your organisation's inclusion strategy, use data, model inclusive behaviour, provide manager training, communicate and act swiftly against discrimination.

RECOMMENDATIONS FOR MANAGERS

- Push for formal management training. Embrace new perspectives by committing to ongoing learning and actively encouraging feedback, creating positive ripple effects across the organisation.

POLICY RECOMMENDATIONS

- The Government should commit to a UK-wide management development strategy, collaborating with devolved governments and consulting on incentives to improve management capability.
- The Government should build on Labour's Business Partnership for Growth to make sure public procurement is fair and transparent by pushing for greater EDI accountability including through public sector procurement requirements.
- The Government should champion the role of trained managers and leaders in improving inclusivity and organisational outcomes and enhance public sector management, culture and training.

A NOTE ON TERMINOLOGY

In this report, we mostly use the term "inclusive workplace" because we want to emphasise the importance of creating an environment that actively welcomes and supports all employees, regardless of their backgrounds or characteristics, rather than merely complying with regulations, policies or targets. "Equality, diversity, and inclusion (EDI)" is the most widely-used term in the UK when addressing issues of workplace inclusion. We acknowledge that the terminology around workplace inclusion has become contested in recent times but our hope is that people will engage with the data and insights within this report which focus on the relationship between workers, staff and their employer. We do cover aspects of equality, diversity and inclusion but we also explore what good work and organisational success looks like. Our priority is to help managers

and leaders better appreciate - and value - the role that an overall inclusive environment plays, given that our research suggests it helps in establishing a culture in which employees feel secure and valued. This, in turn, is essential for fostering innovation, and promoting wider organisational performance.








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