LSE The Inclusion Initiative

Inclusion in The City

Setting the Agenda for the First Years of the Inclusion Initiative at LSE

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The Inclusion Initiative

In November 2020 The Inclusion Initiative (TII) will launch at LSE. TII aims to bring behavioural science insights to firms to allow them to enhance the inclusion of all talent, and simultaneously produce academically rigorous and relevant research that links directly to TII's purpose.

TII also aims to produce research that has practical implications at the level of the firm.

TII's research agenda has three main aims. First, to propose a viable proxy measure of inclusion. Second, **to quantify the direct link between inclusion and the core business outcomes it should theoretically improve, such as innovation, creativity and risk assessment** both within and across firms. Third, to propose to firms a menu of cost effective interventions that *could* improve inclusion of all talent from pipeline to boardroom. We put emphasis on *could* because TII insists that all interventions should be rolled out and linked to an outcome the firm cares about, so firms are confident there is a positive net present value to their investment. Via executive training TII will provide the methodology to do just that.

To set the research agenda for the first phase of TII, we embarked on a piece of qualitative research that involved interviewing senior leaders in TII's first priority area, Financial and Professional Services, to learn their beliefs about best practice in terms of improving inclusion at the firm level, and the obstacles that stand in the way of progress. With these insights at hand, **we set a research agenda for TII that will tackle the most commonly cited obstacles, drawing on current insights from the behavioural science literature.** The Inclusion in the City paper outlines what this agenda is. The primary aim being to inspire firms to adopt some of the ideas in this paper for their own in-house inclusion agendas, with their own people.

Quotes from Industry

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As a proud alumna who has worked in the financial sector for many years, I am excited to be launching The Inclusion Initiative at LSE. It offers a unique platform for LSE and our partners to lead by example over the forthcoming years: to transform the environment, experience and opportunities within the City of London to create companies that are truly inclusive. "

Minouche Shafik DBE, LSE Director

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Inclusion is a pressing issue for all organisations, and rightly so. We need to understand and reflect the society we serve. Yet, all of us have experienced the frustration of well-intended initiatives that do not achieve their aims. I welcome this work by the LSE Inclusion Initiative which should help us to improve our ability to tackle inclusion. "

Andrew Bailey, CEO of the FCA and incoming Governor of the Bank of England

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A focus on diversity and inclusion is not a nice to have: it's a prerequisite for running a successful business in modern society. It's critical to encourage a truly inclusive workplace where everyone can feel they belong and can contribute, to allow the best ideas to surface and give you the greatest chance of creating a fantastic experience for all your customers. If you can do that, not only will you create a business where the best talent want to work and thrive, the business will win over the long term. "

Anne Richards CVO CBE, CEO of Fidelity International

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We need to take a pragmatic approach to mitigating personal biases. For example, if we look at biases in recruitment, a short term solution could be to set diversity targets and seek out candidates that will complement and improve the overall diversity of a team or group. However, longer term solutions must tackle any specific inherent biases within processes. In an ideal world, this could involve starting with a blank page to re-design the process altogether. In reality, it means taking a number of bold steps to overhaul policies and procedures. Recruitment of the younger generation is an important first step as students make up such a large proportion of hires in businesses across the country. Depending on the organisation, these changes could include de-personalising CV's and/or augmenting them with recruitment processes that focus more on a candidate's potential than their past experiences. "

Brenda Trenowden CBE, Global co-chair of the 30% Club, Partner in PwC UK

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It is clear about the value of hiring a more diverse workforce. Firstly, it feels right. It doesn't feel sustainable to work in a market where we don't look like our clients or the world around us. Secondly, more diversity and inclusion makes for more balanced decisions and less group think. Thirdly, we need to have the best people working for us. If we are failing in diversity and inclusion, we will fail in business terms. "

Charles Martin, Senior Partner at City law firm Macfarlanes

Why Does TII Care about Inclusion?

To get the most out of our teams it is important to acknowledge the potential for a lack of inclusion and take steps to circumvent it.

A fast check as to whether inclusivity is an issue in your organisation is to take some time to recall the last **important** meeting you were in. Did one person speak for the majority of the time? Did introverts participate significantly less than extroverts? Did many people look tuned out, flipping through their emails on their phone? If you answered yes to these questions it is highly likely your meeting was affected by a lack of inclusivity.

In financial and professional services we often organise people into teams to do work that is viewed as innovative, creative and/or strategic. This can include product creation or the assessment of risk. Why do we have these discussions? The overall intuition is a belief that two heads are better than one, and that the outcomes we end up getting are greater than the sum of the parts. **If we get inclusion right there are big gains to bottom line outcomes**. For this to happen everyone needs to participate freely, have their voice heard in the discussions and be motivated by goals that are collective rather than individualistic. We need to have people with different perspectives and life experience at the table. Empirical evidence from the lab and field suggests that this does not usually happen, implying the outcomes we get from these discussions are sub optimal.

A lack of inclusivity damages the financial and professional services industry from recruitment through promotion choices and beyond.

Currently firms spend tens of thousands of pounds annually on services to improve inclusion outcomes, with usually no clear link to cost effectiveness or other outcomes that are important to firms operating in a competitive environment. What is more, often these services are even more costly than meets the eye, as they take income earners away from their core tasks, with little evidence of gains from their long time out. **A classic example of time wasting is unconscious bias training, which we know has not worked in its most generic form for more than 50 years**[1] but continues to get rolled out in firms, sucking up time and money that could be better placed elsewhere.

Inclusivity too often gets tangled with diversity in discussions. It should be stressed that to get the gains from inclusion it is diverse voices with a variety of life experiences that are required around a table when brainstorming or looking for new perspectives on risk. Diversity on its own does not reap the better business outcomes we so often link with its name. **Better business outcomes are not a product of simply having more women or individuals of different ethnicities around a table. Better business outcomes require inclusivity**. Because there is no silver bullet for inclusion, interventions to improve inclusion are costly in time and money. **One of TII's main aims in its first years is to produce academic research that considers cost effective solutions based upon a rigorous assessment from within firms**.

Why Behavioural Science?

Governments all over the world have been leveraging behavioural science for over a decade, seeing the value added to public policy in its rigorous methodological approach that allows the return per pound spent to be calculated.

In the same way that firms routinely calculate a net present value for their investment decisions, we view investment in inclusion as a project like any other that should prove its worth in terms of cost effectiveness. Taking a behavioural science approach allows firms to stop interventions that may not give them returns on outcomes that are important to them. Depending on the firm this may range from profit and loss targets to self-reported employee wellbeing, but being clear on the gains expected from investment ex ante allows greater buy in by employees for key initiatives. Similarly, **demonstrating that investments in inclusion are cost effective ex-post prevents initiative fatigue, and raises the inclusion agenda as important across the entire business, thus allowing for greater buy in.**

For the purposes of this paper the authors are leveraging an in-depth knowledge of behavioural science when proposing interventions that could improve inclusion within the firm. Behavioural science offers a wonderful approach for considering inclusion within firms. Drawing insights from multiple disciplines, it seeks to understand why people make the choices that they do, and the structures and tweaks that can be made to incentives and the environment to obtain a different outcome. In this regard, credible frameworks have been developed [2-3],. Behavioural science has explored a number of relevant topics related to inclusion, for example groupthink[4] but the majority of the research relates to lab experiments or is correlational. There is a dearth of evidence on the cost effectiveness of the various interventions available to enhance inclusion within firms, as quantified from within the firms themselves. That is, the interventions proposed may work in theory, and often have been shown to work in a lab setting, but the evidence of whether, and to what intensity they work within firms is not yet at a level where we have a stock of knowledge. TII aims to begin to fill this gap by partnering with firms to assess how well the proposed interventions work when people go about their day to day jobs.

Quotes from Industry

I firmly believe that inclusion not only produces highly, motivated engaged employees but also delivers a more innovative culture which in turn drives better financial results. This inclusion initiative is a superior piece of work with recommended actions that will deliver all the tremendous benefits of inclusion.

Diana Brightmore-Armour, Non-Executive Director at Hoare & Co, former CEO of ANZ, UK & Europe

The answer as to how we achieve inclusive cultures is still very elusive. At times it can seem overwhelming, too big an issue to address. As business leaders we must do all we can to ensure our workplaces are inclusive – where everyone's view is respected, their contribution is valued, and they can fulfil their potential. This report provides ideas that we can put into action so no more excuses.

Inga Beale DBE, former CEO of Lloyd's of London

More schools today are talking to fifth and sixth formers about apprenticeship programs and presenting these as sensible options to reflect on instead of simply going to University. And they are working hard to show these programs in a way that appeals to all students. This is a good development and one that I hope continues and takes hold. The more young people we can get from all backgrounds coming to 'learn and earn', the more vibrant a workforce we will have in the coming years.

Irshaad Ahmad, Managing Director, Head of Institutional Europe, Allianz Global Investors GmbH

The Inclusion Initiative applies rigorous research methods to a complex problem facing organisations worldwide. Using insights from cutting edge behavioural science research it will enable firms to develop tailored, effective solutions to this most important yet often intractable challenge.

Julia Black CBE, Strategic Director for Innovation, LSE

Delivering more effective inclusion interventions is critical to organizations if they are to make a more meaningful impact to their bottom lines. We welcome this research and the progress it can make towards defining best practice.

Lance Uggla, Chair and CEO of IHS Markit

Whilst we continue to make progress towards a more inclusive workplace we can see the clear benefits that present themselves from firms that are explicit in their determination to enhance inclusion at all times. As we focus more and more on ESG standards in companies that we invest in, our understanding of how committed policies accelerate earnings is becoming clearer.

Richard Charncock, CEO, Aberdeen Standard Capital

Finding the Obstacles to Inclusion

In order to understand the obstacles that stand in the way of inclusion in the City of London we went on a listening tour of the City of London, speaking with 40 of its most senior leaders in face to face interviews.

These leaders comprised of CEOs (6), other executive committee members (7), senior income generators – partner managing director level or equivalent (20), the first line of defence (4) and human resources (3). Each person represented a major financial and professional services firm in the City of London spanning investment banking, retail banking, data, law, consulting and wealth management. In addition, the footprint of these firms reaches across the world, as did the potential reach of the firms' policy.

Both LSE and the Worshipful Company of International Bankers hosted two events that allowed for round table discussions of larger groups. In total these events were attended by 114 people in roles across the financial and professional services.

We complemented these interviews with face to face discussions with 30 of the City of London's pipeline who strategically varied widely in terms of socio-economic background, gender and ethnicity. Together this mixed methods approach allowed us to identify the obstacles stated by senior leaders of the City of London most often, and corroborate if they were echoed as important by its own pipeline. In this way we can stand on the shoulders of people who have been working and thinking about inclusion for many years in the context we are interested in. Specifically, all interviews and discussions revolved around three questions.

These are:

1 What is the value of having a more inclusive workforce?

2 Looking back over the last couple of years, can you identify a policy or another shift that you have seen successfully enhance inclusivity in your own firm or in another firm that you know well? This may be at the firm level or team level. Why do you think the change worked?

3 When thinking of inclusivity can you identify an obstacle that stands in the way of progress that, as yet, has not had an appropriate solution?

For this report we put a specific focus on the discussion that ensued around question 3. **Specifically, we take the most often cited obstacles and recommend an overarching goal to combat them. For each overarching goal we recommend three independent actions that can be carried out to address the problem.** This allows us to set a research agenda for TII, which revolves around quantifying the extent to which the actions we propose work. Simultaneously we hope to inspire firms to try out the actions represented in-house and continue a dialogue with us on their success.

Quotes from Industry

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We have seen first-hand the benefits of being more diverse and inclusive – as well as the weaknesses created by being less so. Our leaders are products of their experiences and their environment. Greater Inclusion of all kinds can remove blind spots. It can provide new approaches to problem solving. This is what The Inclusion Initiative will strengthen in our organizations and our community. **"**

Richard Nesbitt, Professor, Rotman School of Management, Retired COO of CIBC and Retired CEO of Toronto Stock Exchange

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LSE has a history of doing research that helps the world understand the causes of things. I am therefore excited to support the launch of The Inclusion Initiative (TII) at LSE whose primary aim is to understand the causes of inclusion in the workplace, and also its direct knock on benefits to P&L, creativity and innovation at firm level. TII's planned business partnerships can allow long run monitoring of the behavioural science interventions it recommends. Its overarching mission is socially responsible, and its commitment to measurement is commendable. I am certain TII can help advance the academic conversation in this area, as well as lead to better work places in the City of London and beyond. **"**

Simon Hix, Pro Director for Research at LSE

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There are clear benefits of having a diverse workforce in order to create challenge from within. However, diversity in itself is not enough – it is how firms manage inclusion, not least in terms of encouraging speaking up, that is also crucial. We welcome this initiative to create partnerships across business and academia and help firms to find ways to help themselves manage their people better. **"**

Susan Rice DBE, Chair of the Banking Standards Board

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In today's highly disruptive world inclusive leadership and true employee engagement is a business imperative. The insights and practical tips from The Inclusion Initiative are important to achieving competitive advantage. **"**

Teresa Parker, President EMEA, Northern Trust

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Diversity is necessary but not sufficient. We will only unlock the potential of different ways of thinking and new ways of solving problems if we are able to create truly inclusive environments where a wide range of views are not just heard but actively listened to. This initiative will provide valuable insight into how best to do this. **"**

Tracey McDermott, Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance, Standard Chartered

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We are creating a City that is inclusive and open to everyone. From the Power of Inclusion series led by the Lord Mayor's Appeal to the LSE's Inclusion Initiative, we are collaborating for change and the commercial success that comes with it. **"**

William Russell, Lord Mayor of the City of London

Our Ten Overarching Goals to Allow Firms to be More Inclusive of All Talent

1 Start by Being More Inclusive at the Bottom of the Pipeline

Action 1: Without question firms can help their own pipelines by working hand in hand with schools to ensure that job opportunities are known to children. Firms can communicate the tasks that underlie their highest paying jobs to children through mediums that they use frequently, in language that they understand. There is a clear role for the firm to showcase relatable role models. **Addressing information problems and providing role models makes salient to children the options that are available to them, as well as the benefits of shooting for a particular career.**

Action 2: Firms can disrupt what "good looks like". Ideally firms should be hiring based on skills, ability and talent only. However, they often rely on signals that are correlated with these attributes to the exclusion of top talent. **Firms can move away from choosing talent from a small subset of undergraduate degree types or specific universities, and move towards task-based assessments that relate more directly to the tasks that the applicant will actually do day to day on the job.** This opens doors for candidates who may have chosen an undergraduate degree that does not match well with their aspirations. It also opens doors to those who may have not had the opportunity to attend a top tier university. **Overall, task-based assessment can circumvent a variety of cognitive biases. These include affinity bias, familiarity bias and halo effect.**

Action 3: Firms can embrace learning and earning models. The decision to go to university is one that is liquidity constrained. For individuals of lower socio-economic status, this constraint can be enough to sway the decision to go. **Learning and earning models open the door for children of lower socioeconomic status to pursue careers that previously required a college degree.** In this setting individuals are hired as apprentices of firms, and given a salary as well as free access to an undergraduate degree. By removing the need to choose between going to university and earning a salary, firms open their doors to new talent pools.

2 Change Minds About What a Good Candidate Looks Like:

Action 1: When selecting new colleagues and deciding who to promote devote adequate time to make sure that confirmation bias is not driving these key business decisions. Confirmation bias is the tendency to seek out evidence that confirms our gut instinct on who is right for the role. This is problematic because **gut instincts are often driven by what "type" of person has historically held a particular role.** In the financial and professional services senior leaders in the UK have traditionally been white and male, and the retrospective image of what a leader looks like feeds our gut instincts. To overcome this, when turning away candidates that do not fit the typical image of what a senior leader looks like seek disconfirming evidence that challenges the prevailing opinion. For example, allowing someone who does back the candidate to present the case without interruption.

Action 2: When deciding who gets what and why, we often rely on signals. This is fine if the signals that we are using are correlated with skills, talent and ability. Valid signals include the quality of work done. However, in a world with time pressures invalid signals often cloud judgements. **For example, an ability to put oneself forward most often or speak the loudest may garner rewards but it does not necessarily reflect competence**. It is therefore important to decouple such unsubstantiated signals from true signals throughout the hiring process and career life cycle. This can be done by having clear criteria ex ante on what "good" looks like.

Action 3: For firms that are worried about a lack of diversity across a particular individual characteristic, when hiring for new roles segregating CVs into piles that represent over and under represented groups in your organisation. For example, if the concern is gender diversity the CVs would have one pile for males and another for females. Each pile of CVs is then ranked separately, allowing the top ranked candidates to be then cross compared across the two piles. Encouragingly the evidence from behavioural science tells us that cross comparing the top candidate from each group side by side in this way makes it more likely the strengths of the under represented group are acknowledged[5].

3 Ensure There is Inclusivity in Opportunities by Auditing

Action 1: Day to day opportunities include stretch project assignments, exposure to networking opportunities and having a seat at the table to input into important conversations. Ensuring there is inclusivity in these opportunities is key to keeping talent moving along the pipeline. **Auditing who gets these opportunities makes salient who in the organisation is missing out**. This is most easily done for project assignments, and can be reviewed at annual appraisal to ensure that managers are giving their entire team an opportunity to grow. Drawing attention to this monitoring can also encourage managers themselves to do monthly post mortems, allowing them to self correct any favouritism in allocations.

Action 2: **Differences in personality across employees can lend them to be more or less likely to ask for resources that can help them advance in the workplace**. These resources may be monetary (for example, bonus, training allowances or a salary increase) or time (for example exposure to senior management or favoured clients). **However, the ability to ask for things is not known to be correlated with performance.** This is problematic as the behavioural science literature emphasises[6] that asking gives a good chance of getting a positive response, and being declined previously also brings a positive probability of success the second time around. To ensure that those who are less inclined to ask are not left behind, audit as many requests for monetary and time resources as is practical. This makes salient any gaps in allocation that may be driven by a tendency to ask.

Action 3: Understanding how employees interact with one another as they go about their day, can help identify homophily. This is the tendency for people to interact more with others that are similar to them. This similarity could be gender, age, socioeconomic status or another observable characteristic. **Homophily can be identified via social network analysis, which is a data driven exercise that maps how people interact visually**. Data that is used in social network mapping includes emails, messaging and phonecall data, in addition to, where employees spend their time in the building and even the content of their conversations. Identifying homophily, allows other interventions to be rolled out to address the problem.

4 Take Steps to Avoid Groupthink in Team Meetings so New Perspectives get Discussed

Action 1: To move a team away from groupthink it is important to hear from everyone at the table. However, even then the natural tendency is for teams to tend to over focus on shared information. After all, we feel good about ourselves when we are discussing something that is familiar to us. This is not a good thing when employees need to be innovative and what is needed is a discussion of hidden information. **To avoid groupthink, it is a good idea to separate out the brainstorming session from when a decision is actually made**. Brainstorming sessions may relate to product design, pitching approaches or the assessment of risk. During this phase encourage people to bring their hidden information to the table. Putting some time between the brainstorming phase, and when the option "to go with" is chosen takes the emotion out of the decision making process. When picking between options the decision phase will also benefit from being based on hard evidence, ideally generated by people outside the group so the choice between options feels less personal.

Action 2: Take care to make sure that everyone in the meeting has a chance to be heard by taking steps to avoid cascading. **Cascading occurs when a person who speaks in the meeting reiterates the information given by the lead who came before them rather than revealing new information**. This stops unique perspectives being brought to the fore. To move this habit, the person leading the meeting could set the tone by asking people to "tell me something I do not know", and cutting people off politely when they try and re-iterate information already known to the group. They could also designate the first 30 minutes of the meeting to get written responses from everyone prior to the discussion starting, and reserve decisions being made until the content is reviewed and digested. This serves to allow introverts and others who are not usually heard in a meeting to become a real part of the discussion. The leader could also call on persons randomly, rather than allowing cascades to happen in their natural order.

Action 3: **When innovating it should not be an unusual event to have unique solutions posed by only one individual adopted by the group**. Make salient whether or not this happens by auditing decision making at group level. Are you always going with the ideas of a core mass rather than looking further into the less traditional suggestion posed by a colleague? This process can be helped by regularly providing forums that bring people together to discuss the benefits of people not always initially agreeing, and putting in place structures that reassure people that dissent does not necessarily mean a bad culture.

5 Embrace the Fact that Inclusivity is Everyone's Problem

Action 1: Across the world firms have created affinity groups that are based around gender, ethnicity, LQBTQ+ and more. These groups provide a great forum to share common experiences and highlight concerns, and when run well do provide a space with high levels of psychological safety. **But it is important that firms encourage these groups to hold some events for others who do not identify with the group. Equally, it is important that the firms most senior management actually show up for these events, and encourage others to do the same.** Why? If we only show up for the group that we identify with there will always be winners and losers, and unequal systems that reward characteristics that are unrelated to ability, skills and talent will continue to be rewarded. Firms must encourage their employees to champion change in areas that they do not personally gain from. If more people take the time to learn about how others are struggling real change happens. **Change happens when a critical mass of people are all doing the same thing and a tipping point is reached.**

Action 2: **A firm that embraces inclusivity to improve business outcomes should use data to hire, promote and reward.** When hiring or promoting new senior leaders, examine their history on what they managed to achieve with respect to inclusion retrospectively, going beyond words and towards evidence. Tie rewards, such as bonus pay, to evidence that the person has created an inclusive work environment. Go further and link the inclusivity measure to core business outcomes, to make salient why this focus is important to the firm.

Action 3: Create leaders that bring along all talent in the organisation. **This can be achieved by refocusing on the middle manager and disrupting the type of leadership training available to them.** Specifically, moving towards training that equips them with the skillset to i) avoid groupthink, ii) create psychologically safe team environments where dissent is embraced iii) understand how to make changes in their teams and evaluate objectively the effect of these changes iv) communicate in different ways to the inclusion of all talent. This approach has the added benefit of making mid-level managers the change makers of the organisation, which if embraced by a few can result in tipping the culture of the organisation as other mid-level managers see the benefits.

6 Recognise the Role of the Environment:

Action 1: In behavioural science there is a well-worn adage *"context matters."* This highlights that how we behave is affected by the cues we experience from our daily environment. These cues we process

unconsciously. Today, many firms in the financial and professional services operate in environments with high levels of uncertainty. This manifests in terms of increased time pressure, and worries around redundancy and smaller compensation packages, along with a fear of plateauing in one's career. People do not perform at their peak when they are operating in uncertain environments. It also a time when in-groups are more likely to form[7], usually along some dimension of similarity which has a potential detrimental impact for inclusion. Uncertain environments also negatively impact decision making, at a time when choosing the right course of action is more important than ever. **In times of uncertainty communication becomes key. Understanding how these communications should be framed, and who the messenger should be at any one occasion are key behavioural science skills** that can maximise any communications probability of cushioning fears.

Action 2: In industries like financial and professional services, interventions that promote inclusion can end up being "nice to have" rather than viewed as core to the business. In addition, there can be a perception that progression is a zero-sum game, causing resistance to endeavours undertaken to enhance inclusion. This creates an environment that is not supportive of inclusion, with low levels of buy-in. However, **inclusion of diverse perspectives can give a competitive edge. It is therefore imperative that companies disrupt how inclusion is viewed, by reframing inclusivity as an objective for the entire business, rather than an objective for human resources.** This reframing can be done by linking measures of inclusion to traditional core business outcomes, highlighting clearly any benefits gained.

Action 3: It is important to monitor the environment of the firm, and link employee feelings of inclusion to core business outcomes. Measurement error plagues reporting of key subjective data measures when they are only asked at a few points in any one year. **Moving to surveying the pulse of the firm on a more frequent basis allows organisations to understand better their employees sense of belongingness, and make easier difficult moments, and put more emphasis on shared positive times.** Regular pulse surveying only needs to be done on a random selection of employees to be effective, ensuring there is no increase in the time burden of these survey types.

7 Recognise that more cooperative workplaces are in a firm's best interest

Action 1: Today there are very few occupations that benefit from having employees compete with one another. From the assessment of risk to product creation to how we communicate with our customers, better outcomes transpire if people work effectively together. Yet, extrinsic incentives typically are at the individual level. Employees mostly compete for promotions when there are limited positions, implying they compete against each other. Pay increments are normally linked to an individual performance review. Total bonus pay is generally allocated at the team level, implying what one team member gets another cannot. **Disrupting how we reward employees may then be the key to getting teams working effectively together**. This does not have to be all or nothing. It can start by having some element of bonuses linked to overall team performance, with the bonus pot being at the unit or firm level and allocated to the best performing teams. This encourages teams to work together for a common extrinsic goal, which aligns more directly with how we expect them to behave on a day to day basis. It serves to move away from individualism towards an environment where teamwork is heralded.

Action 2: Inclusion also implies that teams communicate effectively across an organisation and silos are avoided. **Ensuring that information diffuses effectively within organisations is key to their success, as are strategic collaborations across teams**. Monitoring how teams interact with one another in medium to large organisations can make salient if one team is siloed or excluded. This can be easily achieved with social network mapping utilising data on individual communications. This exercise also allows weak ties in the organisation to be identified, and for this information to feed into promotions and salary decisions. Rewarding people that encourage collaboration across the organisation outside their own team is a simple way to demonstrate that inclusion at this level is valued in the organisation.

Action 3: Collaboration can be embedded in a firm's value statement as a mechanism to enhance inclusion. It is then necessary for senior leaders to lead by example, to ensure that this message filters down to the entire organisation. **Focussing on collaboration as a tool to enhance inclusion has the added value of bringing the message into the entire business, moving it from "nice to have" to "need to have".**

8 Rethink Attitudes to Agile Working

Action 1: Agile working is a way to get the best out of your talent if used effectively. Not everyone does their best work during core business hours. Devoting some resources to figuring out when individual employees are operating at their peak can allow firms to deconstruct what the traditional working day looks like, in favour of a system that allows for individual differences in concentration style, while still maintaining some core hours for team gatherings. **This approach gives employees autonomy which has been linked to higher levels of productivity and worker wellbeing[8]. It also allows for the inclusion of a variety of different workstyles,** beyond the traditional working model, allowing more people to perform at their best and advance in the organisation. If operationalised effectively it can be directly cost effective, allowing firms to

downsize on their space requirements.

Action 2: **Relabelling flexible working as agile working can reduce the stigma associated with an employee constructing their work week to accommodate childcare and other caring duties.** This has the obvious benefits of including more women in the organisation, given that on average they still take on a greater share of childcare responsibilities. To be effective this type of working relationship needs to be embraced by its most senior leaders, with a significant number of male and female role models who visibly adapt their schedule to accommodate duties at home.

Action 3: Agile working can also be extended to effectively tackle statistical discrimination, which undoubtedly holds women back in their careers. It is a fact that women take more time out of the labour force than men because they rely on maternity leave when they have children, and also take on more responsibilities in the home environment. Rather than trying to get every employee of the firm to accept that women will have lower periods of labour attachments around the birth of their children, firms can encourage all employees to take career breaks that equal the sum of a usual maternity leave term a few times over their tenure. **Embracing on and off ramps in this way recognises that careers are getting longer, and males and females may like to take time outs at various points for quality family time, buffer a period of illness, deal with burn out or further study**. Framed in this way both males and females are likely to avail of the facility, mechanically reducing the stigma women face when taking months off after a child is born.

9 Rethink your perception of who your clients and customers are:

Action 1: **Status quo bias can lead us to believe that the clients we serve want to be served by someone who is on call all the time. Even for the most demanding customers there is no clear evidence that this is the case.** Moving to having teams, that are rewarded as a collective, rather than having individuals serve clients and stakeholders within the business is worth rolling out in a staggered methodology so effectiveness can be established. This approach also bodes well with choosing inclusion over presenteeism, aligning with a push for agile working.

Action 2: When hiring talent bring to mind the customers that they will serve, and pay attention to customers whose preferences may be under represented with the current teams available. **Representation shouldn't be chosen in lieu of core skills, however being able to see the viewpoint of potential customers should be seen as a skill in and of itself.** For example, arguably having a better representation of women in trade finance can help with getting more clients who are female entrepreneurs. Similarly, having teams in retail banks that represent its customer base makes it more likely that products are created that customers will use. Approaching the recruitment of talent with different voices in this way makes it more likely they will be included in the teams that they join, as their added value is made clear.

Action 3: As a client that knows full well that inclusion drives better business outcomes, demand that the teams that pitch their services or products to you are diverse. **Here, visible diversity is a pulse point that is telling of whether the pitching firm values inclusion, and is usually correlated with less visible aspects of diversity.** This type of supply chain management can advance the inclusion agenda and is imperative if your firm has a mission statement that explicitly states inclusion. Having a client turn firms away for business makes salient that they need to change, essentially bringing the cost of a lack of inclusion into the present day.

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10 Speak to a Different Type of Shareholder

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Action 1: **Firms benefit from taking seriously the measurement, tracking and linkage of inclusion to traditional business outcomes as well as innovation at the firm level**. By undertaking this type of analysis in a rigorous causal framework they can demonstrate to shareholders the likely benefit of investing in them. These messages can be relayed in public forums and conferences. When presenting findings in the public domain firms can also use their influence by avoiding panels and other settings where there is a clear lack of representation of different voices on the panel.

Action 2: Firms can also benefit from taking seriously the measurement, tracking and linkage of inclusion to employee wellbeing, showcasing the findings in the same manner as Action 1.

Action 3: Firms who are investing in inclusion should consider undertaking research that links macro measures of inclusion to macro level business outcomes in cross firm analysis. In theory inclusion should lower behavioural risk and enhance the bottom line of the firm over the long run. **Credible statistical analysis that demonstrates these relationships as stylised facts allows firms at the forefront of interventions to enhance inclusion to be viewed as more attractive to investors seeking out long run investment opportunities**.

Conclusion:

In this research we set out to listen to a relatively large number of individuals who work in financial and professional services in the City of London. Our aim was to identify their perceived obstacles to enhancing inclusion in their firm. From these obstacles we identified over arching goals, each with a set of three independent actions that align with the goal and can be pursued with a view to enhance inclusion in the firm, or its associated benefits such as lowering behavioural risk and enhancing the bottom line. These actions will also shape the research agenda of TII, with the primary aim to continue to inform on the most cost effective approach to create a workplace that is inclusive of all talent. Equally we look forward to working with the firms who kindly agreed to cooperate in this report, as well as others, and help them advance an inclusion agenda for better business outcomes.

The Inclusion Initiative: Directors

Dr Grace Lordan:

Director of The Inclusion Initiative

Grace Lordan is an economist by background. Her research is focused on understanding why some individuals succeed over others in work because of factors beyond their control.

Grace's research and consultancy draws on the cutting edge methodological techniques of behavioural science and economics to design and analyse interventions. The aim of these interventions is to help understand and change employment outcomes, conduct at work, diversity and inclusion within occupations, occupational sorting and worker wellbeing.

She is a regular speaker in the financial services sector on these topics, and has also led projects advising commissioners in the UK and policy makers in the EU.

Grace is an associate professor in Behavioural Science at LSE, trains executives in behavioural science and is the director of the MSc in behavioural science.

Karina Robinson:

Co-Director of The Inclusion Initiative; financial and professional service focus

Karina Robinson is CEO of Robinson Hambro. The firm provides strategic advisory services to Chairs and CEOs of companies with a global outlook, as well as board search.

Karina is a champion of the City of London with a deep belief in the power and profitability of diversity and inclusion, and a reputation as a benign disruptor. She is the Chair of the Lord Mayor's Appeal advisory board; a trustee of the Lord Mayor's Appeal and Master of the Worshipful Company of International Bankers (2019/20).

An LSE alumna, Karina is a member of the School's Court of Governors and sits on the Finance committee. Most of her career was spent as a senior journalist covering finance and international politics, whether at Bloomberg, *The Banker* or the *International Herald Tribune*. Her education encompassed the UK, Spain and the US.

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The Inclusion Initiative

The Inclusion Initiative (TII) at LSE launches in November 2020. TII will leverage behavioural science insights to advance our understanding of the factors that enhance inclusion at work. Our first area of focus is the financial and professional services. Over the next three years we aim to build an open source research repository that houses rigorous and relevant research related to inclusion at work, in the financial and professional services and beyond.

TII's research agenda has three main aims. First, to propose a viable proxy measure of inclusion. Second, to quantify the direct link between inclusion and the core business outcomes it should theoretically improve, such as innovation, creativity and behavioural risk assessment both within and across firms. Third, to propose to firms a menu of cost effective interventions that could improve inclusion of all talent from pipeline to boardroom.

The Inclusion Initiative (TII) will bring industry, academics and other stakeholders together regularly to exchange ideas, highlight new findings and build partnerships. Please do join the conversation.

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