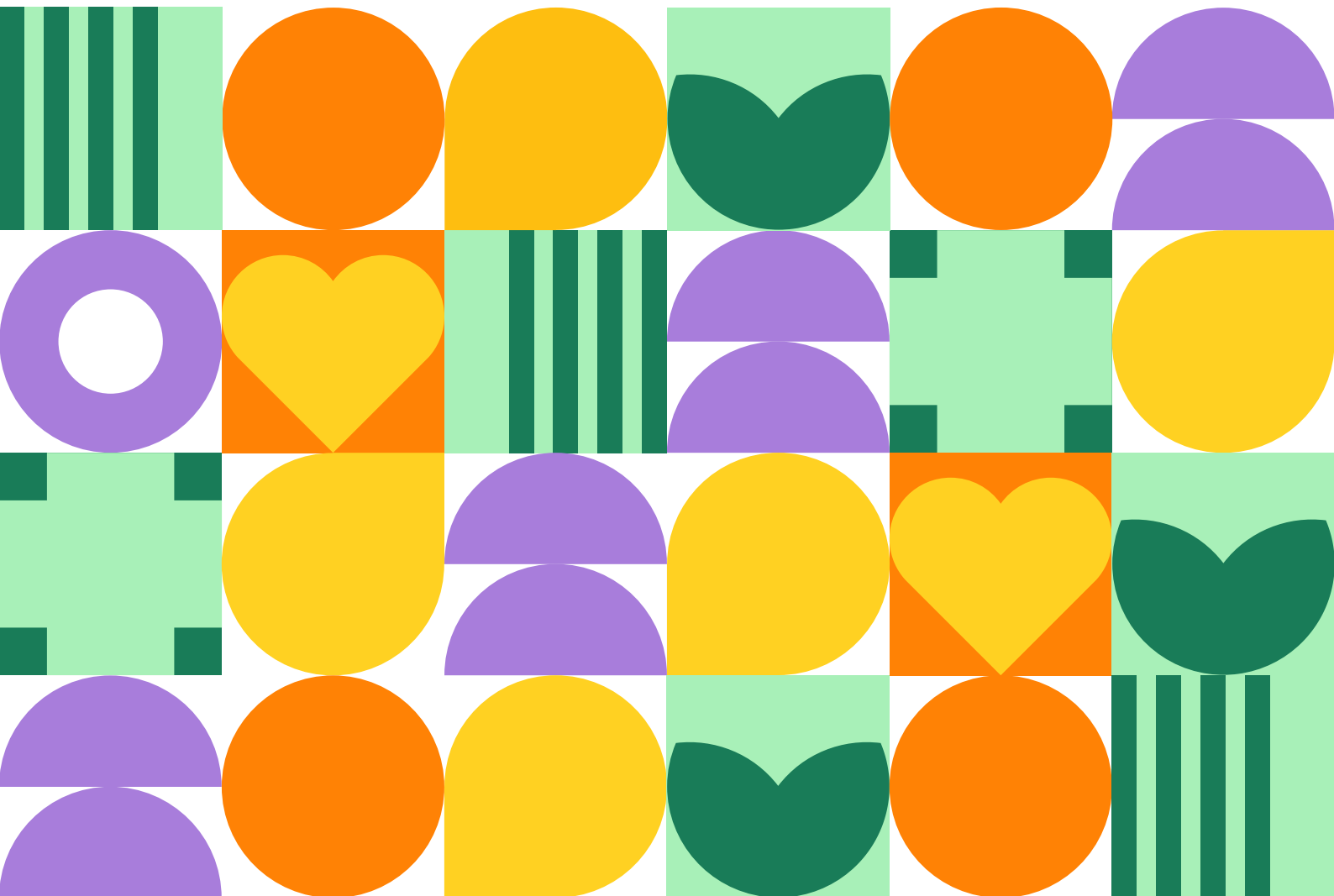# Inclusion Isn't Just Nice. It's Necessary.

How a survey quantifying the responses of more than 27,000 employees proves the business value of inclusion.

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BCG | **BCG's BLISS INDEX**

Inclusion Isn't Just Nice. It's Necessary.

Every year, billions of dollars are poured into diversity, equity, and inclusion (DEI) initiatives, yet business leaders have minimal insight into what works—and whether the investments lead to results. Workplace inclusion, in particular, is hard to define, measure, and influence. As a result, inclusion is often underprioritized in DEI efforts and seldom viewed as a business necessity.

But our extensive research, drawing upon data from more than 27,000 employees across industries in 16 countries, shows a clear mandate for leaders to make inclusion central to the business agenda. Improving employees' experience of inclusion—which we define as feeling valued and respected; believing your perspectives matter; feeling happy, motivated, and like you belong; and feeling that your mental and physical well-being is supported—delivers enormous business value. Done right, inclusion positively changes the workplace experience, and not just for minorities and marginalized groups: inclusive cultures benefit *all* employees.

Consider these statistics. When employees believe that DEI programming is a priority in the workplace, the number of all employees who are happy increases by 31 percentage points and the number of both women *and men* who feel motivated increases by nearly 25 percentage points. This tells us some important things: DEI has influence beyond the groups it is traditionally thought to target, and inclusion is a win-win for businesses and employees— and it's the right thing to do.

Despite the benefits of inclusion, most companies struggle to make progress on inclusion or to correct course confidently. Companies fall into a few common traps: making assumptions about the feelings and experiences that matter to employees, failing to use quantifiable and statistical data to identify the drivers of those feelings, and, crucially, overlooking the business impact of inclusion.

This problem can be solved. To do so, BCG built the BLISS (Bias-Free, Leadership, Inclusion, Safety, and Support) Index, a comprehensive, statistically rigorous tool that uses modeling techniques to identify the feelings of inclusion that matter to retention decisions—and the workplace factors that actually drive those feelings of inclusion. (See the sidebar, "What Is BCG's BLISS Index?")

Our analytical model shows for the first time that the *felt* experience of inclusion is not only quantifiable but highly actionable. By implementing the core drivers of inclusion, employers can significantly improve experienced inclusion, which in turn reduces the likelihood of attrition. Companies that increase their BLISS Index scores from the lowest quartile to the median can boost the number of employees who feel happiness, empowerment, and an ability to fulfill their potential by nearly 30 percentage points; they can also slash attrition risk in half. And as BLISS Index scores improve beyond the median, outcomes continue to improve as well.
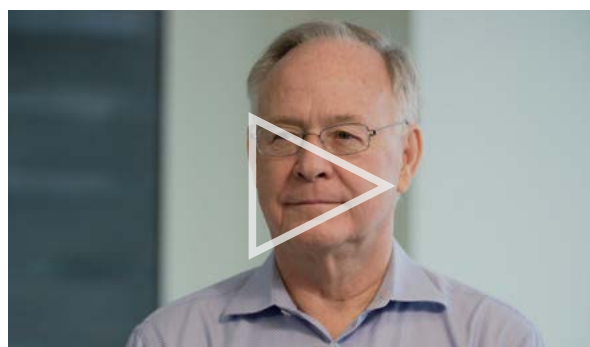
BCG's Joe Davis explains why inclusion matters—and how to create a more inclusive workplace.

So how can companies introduce programming and cultivate behaviors that will make a difference for employees' experience of inclusion? Data from BCG's BLISS Index reveals a specific set of actions that companies can take to strengthen inclusion in the workplace. Whether your organization is just getting started with inclusion, isn't seeing the desired results from existing inclusion programs, or wants to improve feelings of inclusion, here's how to set the right course.

The Drivers of Inclusion

Imagine an employee who comes to work every day in a non-inclusive environment: They find that direct managers don't respect their working style, their ideas are frequently shot down in meetings, and they are regularly interrupted or talked over. At the office party, the company serves only chicken skewers and beer, though they don't eat meat or drink alcohol, and this makes them feel like they aren't seen or included. Senior leadership is not diverse and none of the C-suite executives share their background, and they can't help but wonder if this could affect their advancement opportunities.

Over time, these kinds of interactions and experiences make employees feel increasingly out of place. As a result, they are likely to start looking for a job where they will feel seen, understood, and respected.

Senior leaders may notice that employees are burned out, taking more sick days, "quiet quitting," or actually leaving their jobs, but they don't know why. When companies understand what matters most to employees, though, they can develop cost-effective strategies and programs to support workplace inclusion.

The BLISS Index provides that understanding, revealing several key factors that enhance feelings of inclusion in the workplace for all employees, both diverse and nondiverse, across industries and countries. Importantly, the actions that affect employees' felt inclusion are within the influence of management. Taken together, actions by senior leaders and direct managers account for two-thirds of the overall BLISS Index score:

- Senior leaders openly and publicly commit to DEI.

- Senior leadership is diverse.

- Direct managers commit to DEI and build safe team environments.

- The work environment is respectful and free of discrimination and bias.

What Is BCG's BLISS Index?

Drawing upon a survey of more than 27,000 employees conducted by BCG, we set out to quantify and understand inclusion. Our primary goal was to reduce or eliminate subjectivity and rely on in-depth statistical analysis.

The survey was conducted over the summer and fall of 2022 in 16 countries: Australia, Brazil, China, Denmark, Finland, France, Germany, India, Italy, Japan, Norway, South Africa, Spain, Sweden, UK, and US. The survey captures self-reported data from part-time and full-time employees in large companies with 1,000 or more employees.

We used an employee-centric approach to understand what actually drives feeling of inclusion and identify patterns in the correlations between responses. For example, if respondents felt valued at work, they were also very likely to feel that they belonged. From this, we identified the highly correlated variables—feelings that make up our definition of workplace inclusion—that had a significant impact on a respondent's likelihood to leave a job.

We then sought to understand how other variables and factors impacted feelings of inclusion—and each other. To do this we created a Bayesian network. This is a probabilistic graphical model that allows us to understand both cause and effect, such as whether diversity in management results in a reduction in levels of bias experienced by diverse employees, or the reverse.

When we tested our network on self-described feelings of inclusion at work and whether employees could be their authentic selves, there was a very strong and clear relationship between feelings of inclusion and authenticity.

Through this robust approach, we have statistical representation not only of what affects inclusion and by how much but also of how those factors impact each other.

The result is a single BLISS Index score ranging from 1 to 100, with higher scores indicating greater inclusion, a global median score of 66, and normal distribution patterns.

2/3

Actions by senior leaders and direct managers account for **two-thirds** of the overall BLISS Index score

Senior Leadership Commitments to Inclusion.
Building an inclusive environment starts at the top—and employees need to see that leaders make it a clear priority. Inclusion is driven by what leaders do daily: the actions they take, the messages they communicate, the cultures they nurture, and the teams they build.

When senior leaders make meaningful and sustained commitments to DEI—internally and externally—we see a massive uptick in the inclusion that workers within the company experience. At companies whose senior leaders are committed to DEI, 84% of employees feel valued and respected; in contrast, at companies where leaders are not viewed as committed to DEI, only 44% do. And employees who strongly disagree that their leaders are committed to DEI report feelings of value and respect of only 16%.

These commitments must be backed up by tangible actions—including policies, processes, and adaptations to the work environment—to clearly demonstrate leaders' care and concern for their employees' happiness and well-being. And there are consequences for leaders who fail to walk the talk: research shows that misalignment between leaders' words and actions will increase the likelihood of employee turnover.[1]

In an increasingly challenging labor market, senior leadership commitments to DEI have dramatic benefits when it comes to attracting and retaining highly valued employees. By signaling a more inclusive culture, leaders can enable the company to hire and keep a more diverse pool of candidates. In our survey, almost one-third of Black, indigenous, and other people of color; LGBTQ employees; and people with disabilities chose not to apply for or accept a role owing to a lack of inclusion in the work culture. Further demonstrating the importance of inclusion to all demographics, so did 16% of straight, cis-gendered men.[2]

Inclusive cultures draw more ambitious candidates as well: 25% of employees who indicate they are definitely seeking a promotion in the next one to three years chose not to apply for or to accept a role because they had negative perceptions of inclusion within a company's culture, compared with 8% of less ambitious candidates.

Importantly, inclusive initiatives do not in any way alienate majority groups; on the contrary, they make all employees happier. When senior leaders are seen as committed to DEI, 84% of straight, cis-gendered men agree that they feel happy at work. In contrast, when senior leaders are not viewed as committed to DEI, only 47% of straight, cis-gendered men report workplace happiness.

Exhibit 1 is a snapshot of the value of senior leadership commitment.

1. Simons, T. (2002). Behavioral integrity: The perceived alignment between managers' words and deeds as a research focus. *Organization Science*. 13(1), 18-35.
2. Includes data from 15 countries but excludes data from China, where questions on LGBTQ identity (for example, questions about sexual orientation or being transgender or nonbinary) were not asked.

Exhibit 1 - Inclusion starts with senior leadership

7x as many direct managers who are committed to DEI

5x as much diversity in senior leadership

When senior leaders are **strongly committed to DEI**, companies are likely to have...

3x as many direct managers who create safe working environments

Source: BCG Diversity and Inclusion Assessment for Leadership Global Survey, 2022.

53% Companies without diversity in senior leadership

85% Companies with diversity in senior leadership
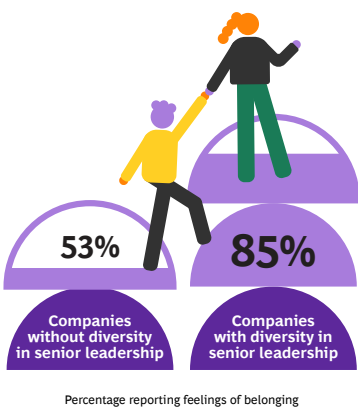
When leadership is diverse, employees are more likely to have a **sense of belonging**

Percentage reporting feelings of belonging

Diversity in Senior Leadership. We found in our study that companies with a diverse senior leadership team provide better inclusion experiences for *all* employees. When companies have diversity in senior leadership, 85% of employees report feelings of belonging at work, whereas only 53% of employees who work at companies without diversity in senior leadership feel as though they belong. Importantly, employees of all identities—including but not limited to traditionally defined diverse employees—experience an improved workplace because of leadership diversity.

While it is imperative to increase the representation of the most obvious diversity groups (women, people of color, people with disabilities, and LGBTQ employees), diversity comes in many different forms. Age, socioeconomic background, level of education, level of ambition, and caregiving outside of work, to name a few, are all forms of diversity that influence who employees are and what they bring to the workplace.

Direct managers play an essential role

They are positioned to offer **daily personal and professional support**

Professional development

Coaching

Facilitating difficult conversations

Flexible scheduling

Leadership opportunities

Feedback

Correcting poor team behavior

And much, much more
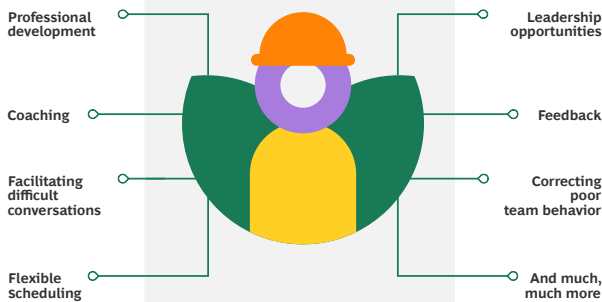
Direct Managers' Commitment to Inclusion. Senior leaders aren't the only ones who influence feelings of inclusion: direct managers are a crucial part of the equation.

Not surprisingly, a commitment to DEI at the senior leadership level has a positive effect on all levels of leadership. When senior leaders are committed to DEI, 83% of employees report that their direct managers are also committed to DEI and 86% say that their direct managers create a feeling of psychological safety (as opposed to just 17% and 29%, respectively, at companies without a senior leadership commitment to DEI). Because direct managers interact with employees daily, they are vital to an inclusive day-to-day work environment.

Direct managers create a positive work environment by reinforcing inclusive ways of working and adopting practices that support employees' sense of psychological safety. We define psychological safety as the shared belief that it is safe to speak up in the workplace, make mistakes, and take risks without fear of being blamed. It's a top driver of team success—and often overlooked.

Because direct managers play such an essential role in the daily lives of employees, they are in an ideal position to offer both personal and professional support. Direct managers are the first people employees turn to for support—and they set the tone for what behaviors are permitted and whether employees feel safe challenging the status quo.
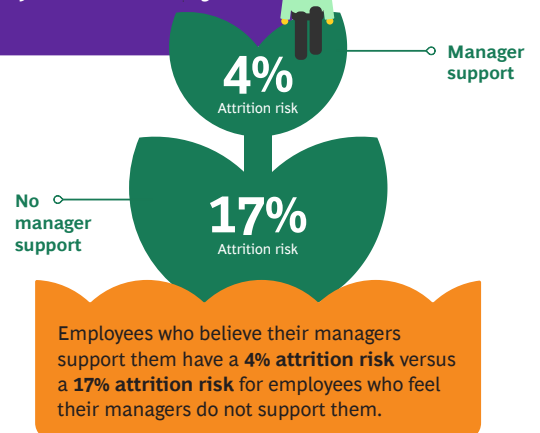
These interactions add up over time, and managers' responses play an important role in fostering feelings of inclusion—and reducing attrition. When direct managers create safe working environments, 79% of employees feel that their perspectives matter, a measure that drops to 36% for employees whose managers do not create a safe working environment. Employees who believe their managers support them have a 4% attrition risk versus 17% for employees who feel their managers do not support them.

Our survey found that certain groups—including older employees, lower-ranking employees, and employees from less advantaged socioeconomic backgrounds—are the least likely to feel psychologically safe at work. An awareness of this will allow direct managers to engage with these groups to proactively offer support and promote a culture of open communication.

A Discrimination-Free, Bias-Free, Respectful Environment. Companies that safeguard against discrimination, eliminate experiences of bias, and ensure consequences for disrespectful behavior directly improve employees' feelings of psychological safety and thereby improve feelings of inclusion. Employees who experience or even just witness discrimination, bias, or disrespect are nearly 1.4 times more likely to quit.

Importantly, when employees believe senior leaders are committed to DEI, they are 33 percentage points more likely to feel comfortable speaking out in the face of discrimination, bias, and disrespectful behavior. When employees feel emboldened to speak up or see consequences for these types of behaviors, they are more comfortable being their authentic selves at work, which makes them feel that the workplace is more inclusive.

Employees who believe their managers support them are **less likely to leave their jobs**

4% Attrition risk

Manager support

No manager support

17% Attrition risk

Employees who believe their managers support them have a **4% attrition risk** versus a **17% attrition risk** for employees who feel their managers do not support them.

+33
percentage
points

Employees are **motivated to combat discrimination** when they believe senior leaders are committed to DEI

When employees believe senior leaders are committed to DEI, they are 33 percentage points more likely to feel comfortable speaking out in the face of discrimination, bias, and disrespectful behavior.
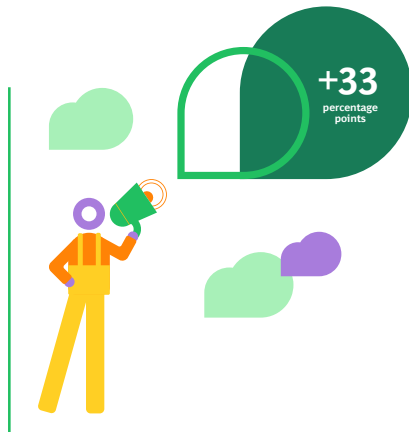
Is Your Company Inclusive? Here's How You Can Tell.

Knowing what drives feelings of inclusion helps companies understand *how* to move the needle on inclusion, but how do companies measure and track progress over time? How do they know *when* they have achieved inclusion?

BCG's BLISS Index establishes that employees' feelings of authenticity at work are highly correlated with feelings of inclusion and the positive outcomes associated with inclusion. (See Exhibit 2.) Per our definition, authenticity at work means that employees feel able to share the parts of their identity that they view as important, whether that be their sexual orientation, race, health, socioeconomic background, personal living situation, or anything else.

Employees who can be their authentic selves are happier and more motivated to give their best. They feel that their perspectives matter. And they are nearly 2.4 times less likely to quit. When a company gets inclusive culture right, employees feel able to bring their authentic selves to work.

Importantly, authenticity is highly correlated with a sense of inclusion—for every single individual, regardless of identity markers, personality traits, and life experiences.

Across and within all subgroups, people who agree that they can be their authentic selves at work achieved a BLISS Index score twice as high as that of people who strongly disagree. (See Exhibit 3.)

Not surprisingly, the "BLISS abyss"—the gap in inclusion experiences we observe in the data—widens when people feel the need to cover or hide parts of their authentic selves at work. For example, 69% of people who have disclosed a disability to their employer say they can be their

authentic selves at work, but just 59% who have not disclosed do—a 10-percentage-point difference. In the LGBTQ community, the gap is even wider: 73% of employees who are out to some of their coworkers feel they can be their authentic selves at work, compared with 53% who are not out—a full 20-percentage-point difference. This pattern follows for socioeconomic background; we found that 64% of employees who come from less advantaged financial backgrounds feel they can be their authentic selves at work, whereas 75% of people who grew up advantaged feel that they can be authentic. These examples showcase the importance of creating environments where people with disabilities can disclose, LGBTQ employees can come out, and those from less advantageous backgrounds can talk openly about their experiences.

So, how do companies close these gaps to create a strong, inclusive work environment for all employees?

How to Boost Inclusion at Your Company

Inclusion is one of the most actionable levers companies can use to attract and retain talent. To improve employees' happiness, well-being, and retention, leaders should focus their inclusion efforts on the following actions.

Demonstrate senior leadership commitment to DEI. Leaders should view inclusion as a core strategic imperative. Advocate visibly and cogently for DEI and keep it central to the business strategy. Starting with the board of directors through to the C-suite and senior leadership, DEI must be a key strategic pillar with specific investment, ROI, and accountability attached.

What this means, more specifically, is that leaders need to publicly share DEI aspirations and associated robust metrics to track progress and organization-wide accountability for continuous improvement. The board should also hold leadership accountable by tying compensation to DEI outcomes.

As part of 360-degree feedback reviews, leaders should collect data to find out whether employees believe company leaders are committed to DEI. Leverage internal survey data to understand what is most important to employees in terms of their workplace experiences and ability to thrive, then use that data to deliver tailored programming and policies that address these pain points.

It's also important to offer a comprehensive package of DEI programming, including mentorship, affinity networks, and programs for high-potential employees. Offering multiple layers of DEI programming enhances the effectiveness and returns of each individual program, which results in the biggest improvement in experience for workers.

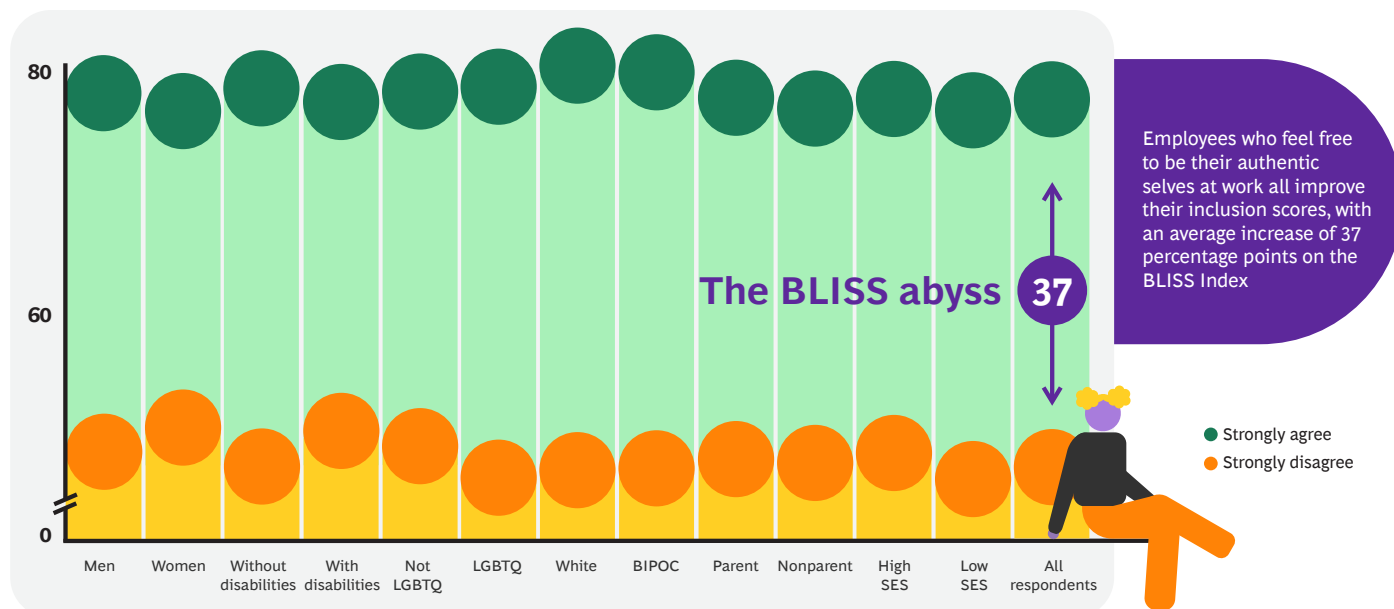# Exhibit 2 - Being your authentic self is strongly linked to feelings of inclusion for all employees

Average response rate to the statement: I feel free to be my authentic self at work
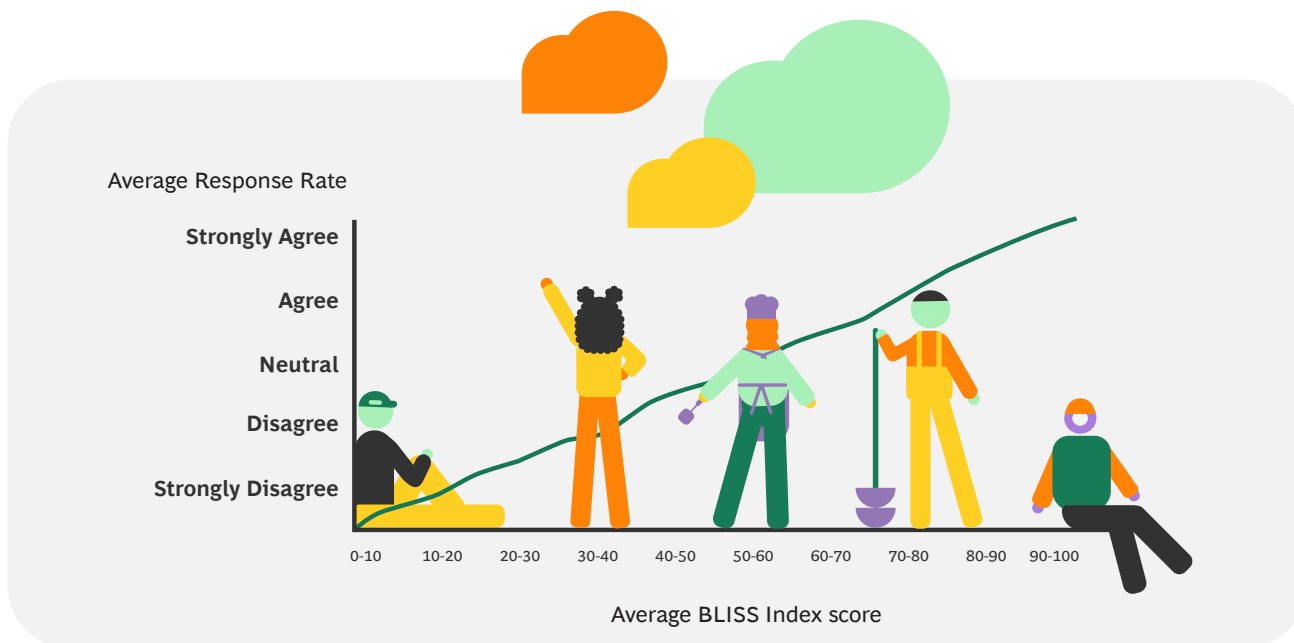
Source: BCG Diversity and Inclusion Assessment for Leadership Global Survey, 2022.

Exhibit 3 - Across all demographic groups, being your authentic self at work has dramatic benefits

Average BLISS Index score of respondents responding to the statement: I feel free to be my authentic self at work

The BLISS abyss 37

Employees who feel free to be their authentic selves at work all improve their inclusion scores, with an average increase of 37 percentage points on the BLISS Index

● Strongly agree
● Strongly disagree

Men | Women | Without disabilities | With disabilities | Not LGBTQ | LGBTQ | White | BIPOC | Parent | Nonparent | High SES | Low SES | All respondents

Source: BCG Diversity and Inclusion Assessment for Leadership Global Survey, 2022.

Note: The categories "not LGBTQ" and "LGBTQ" include data from 15 countries but exclude data from China, where questions regarding LGBTQ identity (e.g., sexual orientation, identifying as transgender or nonbinary) were not asked. The "white" and "BIPOC" categories are based on questions on racial minorities asked in only 4 countries: Brazil, South Africa, UK, and US. The category "parent" was defined as having responsibility for a child younger than 18 in the individual's household. The categories "high SES" and "low SES" refer to socioeconomic status and responses indicate that an individual's upbringing was "very financially comfortable" (high) or "very financially uncomfortable" (low). BIPOC = Black, indigenous, and people of color.

Build diversity at the senior leadership level. Send a clear message that diversity at the senior leadership level is a high priority for the organization—and a key driver of business success. Establish strong pipelines for diverse talent to move up the ranks within the organization. Think broadly about different types of diversity (including diversity of thought, background, and experience) and the ways diverse employees unlock innovative thinking within your organization. When senior leaders are open and honest about their diverse backgrounds and differences, they reinforce the message that diversity is integral to the business and its success.

Equip direct managers to create safe teams and environments (and make them accountable). Employees need to feel that someone inside the organization cares about them, routinely engages with them, and has their back when they need support. Direct managers are uniquely positioned to fulfill this role—but they need guidance on when and how to intervene. Managers must ensure consequences for bad behavior and empower others to intervene or call out bad behavior when they see it. Build accountability for creating a psychologically safe workplace environment into managers' job descriptions and evaluations.

Train leaders to recognize when to speak out, how to create safe conversations about sensitive topics, and how to help employees open up and share important aspects of their identities (as opposed to covering up their authentic selves). Senior leaders can model this behavior for direct managers by sharing their own vulnerabilities, destigmatizing failure, and participating in listening sessions to express their authentic selves.

Build stringent safeguards against discriminatory and biased behaviors. Most companies already specify "code of conduct" norms and explicitly prohibit discriminatory behaviors in the workplace. These policies should be accompanied by a set of clear, well-documented, well-understood processes for resolving situations when discrimination or bad behavior occurs.

In addition to these top-down structural programs, a culture of allyship ensures that inclusion is built in to everyday interactions. Allies support and advocate for populations and communities that they are not a part of, using their power and privilege to uplift others. Important actions include drawing attention to prejudice and non-inclusive behavior when it is observed, using inclusive language, and participating in awareness-building activities and celebrations in support of diverse identities.

Measure outcomes focused on DEI. Establish a portfolio of metrics that correlate to a set of experiences we know are the true indicators of inclusive environments. Set targets to achieve diversity in hiring, advancement, and retention—and track exit interviews to know whether a lack of inclusivity is a factor when people decide to leave the company. Listen to employees' perceptions of the organization's commitment to DEI at all levels of management. Conduct annual surveys to measure employee satisfaction with DEI commitment and inclusion, then disaggregate employee outcomes to identify the groups most vulnerable to negative experiences within the organization. When you identify areas of concern, start conversations to shine a light on these problems and design innovative policies and programs to address them.

With the ability to measure employees' feelings of inclusion and track the corresponding effectiveness of DEI initiatives, companies now have the power to do better by their employees—and seize a genuine business advantage. BCG's BLISS Index has shown conclusively that inclusion directly affects the decisions people make about their jobs.

Given the profoundly varied experiences employees face at work today, these findings on the power of inclusion in the workplace offer leaders a lifeline—and a mandate for action. Inclusion is not just about meeting the needs of historically disadvantaged groups, such as women, racial minorities, the LGBTQ community, or people with disabilities; it creates the conditions for *every* employee to bring their authentic self to work, contribute fully, and realize their full potential—all while delivering a powerful return for companies. By investing leadership focus and resources strategically to build a more inclusive workplace, companies can boost employees' happiness at work and dramatically improve retention.

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