



# Inclusive Cultures Have Healthier and Happier Workers

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## Supporting employees' mental and physical health is critical. So is creating an environment where people can be their authentic selves.

Alice had reached the point where her episodes of anxiety and depression were making it difficult to continue at a highly performance-driven professional services firm. When she consulted her manager and human resources staff, they readily agreed that she should take all the time off she needed. “They said, ‘There are no questions asked when it comes to your health,’” she recalls.

What really astonished Alice, however, was the reaction of her colleagues and office leadership after a five-month break. Because she felt that her company was supportive and inclusive, she decided to be open about her mental health struggles rather than hide them. “What I was worried about hearing was that I crack under pressure. That I’m not fit to see clients,” she says. Instead, every leader was remarkably supportive. “I was assured my condition doesn’t define me.” And although Alice does occasionally break down in tears on the job, she rebounds quickly and no longer “freaks out” when she makes a mistake. Because she has felt supported, Alice has continued to contribute at a high level on her team. Her performance reviews have reflected that—she was promoted sooner than expected.

Alice’s experience illustrates a critical lesson about companies’ approach to employee well-being: the often-underappreciated role of inclusion.

### **MAKING A COMMITMENT TO INCLUSION**

Long before the COVID-19 crisis—when the fear of illness, the death of loved ones, and long stretches of physical isolation and home schooling have fueled a mental health epidemic—most organizations’ leaders knew that wellness programs were important to maintaining a healthy, engaged, and **productive workforce**. But employers have primarily approached well-being programmatically in terms of physical and mental health initiatives, providing such benefits as virtual sports classes and mindfulness training. Companies tend to devote much less attention and resources to inclusion, the feeling that employees can be their authentic selves at work and be accepted without hiding parts of their identity, whether that be sexual orientation, race, health conditions, personal living situations, or anything else.

The good news is that almost 70% of employees, on average, feel included at work, according to a Boston Consulting Group survey of about 16,000 people in 16 countries. (See the sidebar “Methodology.”) In some places, such as the Nordic countries, around 85% of employees on average feel that they work in an inclusive environment. Still, almost 15% of employees globally do not feel included in their workplaces; in some countries, such as Japan, approximately 35% expressed that sentiment.

## **METHODOLOGY**

The article is based on BCG’s Diversity and Inclusion Assessment for Leadership survey, conducted in October 2020. Approximately 16,000 people were surveyed in 16 countries— Australia, Brazil, China, Denmark, Finland, France, Germany, India, Italy, Japan, Norway, South Africa, Spain, Sweden, the UK, and the US. Respondents included full- and part-time employees and represented a wide variety of industries and levels within organizations that employed at least 1,000 people.

The stakes for employers are significant. Our research found that the level of inclusiveness has a direct impact on employees' happiness and well-being. And as Alice's experience shows, organizations with inclusive cultures can be rewarded with committed, confident, and high-performing employees.

A truly effective approach to **diversity, equity, and inclusion** requires more than awareness, however. Commitment must be visible up and down the organization. Inclusiveness must include *all* employees, reinforced with inclusive ways of working and psychological-safety practices, institutionalized throughout the company, and supported with metrics to track performance.

## **WHY INCLUSION IS CRITICAL TO WELL-BEING**

Well-being is the state of being comfortable, healthy, and happy. Our international survey found that employees who indicate they are happy at work are 1.5 times more likely, compared with those who are unhappy, to say they always want to give their best. Workers who report they are unhappy at work, by contrast, are 4.6 times more likely to indicate they will probably leave their current employer within six months.

Unhappiness also contributes to missed workdays and lower productivity.

Our research found a correlation between inclusiveness and happiness on the job. Of employees who reported they work in an inclusive culture, 81% also said they are happy in their jobs—three times more than those who don't feel included. The feeling of inclusiveness is a key element of well-being. In an inclusive work environment, employees are comfortable sharing their perspectives freely and believe that their colleagues value their contributions. They exhibit less stress and anxiety and are about twice as likely to have a good friend at work and to say they have a positive work-life balance. (See Exhibit 1.) Employees in

inclusive cultures feel they can be their whole selves without hiding their identity at work.

### Exhibit 1 - Employees in Inclusive Companies Have More Positive Work Experiences Than Those in Noninclusive Companies



Source: BCG's Diversity and Inclusion Assessment for Leadership (DIAL) survey, 2020.

These findings align with those of a BCG study conducted with New York City's Lesbian, Gay, Bisexual & Transgender Community Center that found **LGBTQ+ employees** who are out at work feel safer, more creative, and more empowered. (See the sidebar "How an LGBTQ+ Network Turned Around One Employee's Life—and Career.") These positive impacts, moreover, are in addition to the benefits that companies derive from a diverse workforce. Previous BCG research showed that companies with above-average **diversity in leadership** are 19 percentage points more innovative and have EBIT margins that are 9 percentage points higher than those of companies with less diverse teams.

#### HOW AN LGBTQ+ NETWORK TURNED AROUND ONE EMPLOYEE'S LIFE—AND CAREER

Coming out was a long and difficult process for Karan. While working for six years as a business advisor in the Middle East and India, he concealed his sexual identity from all but a few close friends. He felt this hurt his mental well-being.

The social stigma of homosexuality in his native India only partially explained why Karan remained closeted, even from colleagues. “Nobody in my workplace actively promoted the idea or gave hints that it was safe to be gay,” Karan recalls.

A low-key, corporate-level program helped Karan openly embrace his identity—and ultimately changed the course of his career. Three years ago, he learned about a company LGBTQ+ network that included hundreds of employees around the world. He discovered that his organization hosted an annual three-day, all-expenses-paid, and unadvertised conference for LGBTQ+ staff in a different location, attended by the CEO and other top executives. What’s more, out of respect for employees’ right to privacy and personal choice, attendees who had not yet come out were not pressured to tell their supervisors the purpose of their trip even though the company was picking up the tab.

For his first few conferences, Karan remained cautious. He told colleagues and managers he was going on an overseas vacation and took personal time off. But the conference was liberating. “Before, I couldn’t see myself in other people. Now, for the first time in my life, I could be completely open about my sexuality,” Karan recalls. “There was just a spirit of community. The conferences were the big event of my year.”

The experience also entirely changed his outlook about his employer. “I was amazed to see the amount of time and resources senior leaders spent just to show we are accepted,” Karan says. “I realized that in this company, it is a given that LGBTQ+ identities are accepted and that I can be myself in a legitimate environment.”

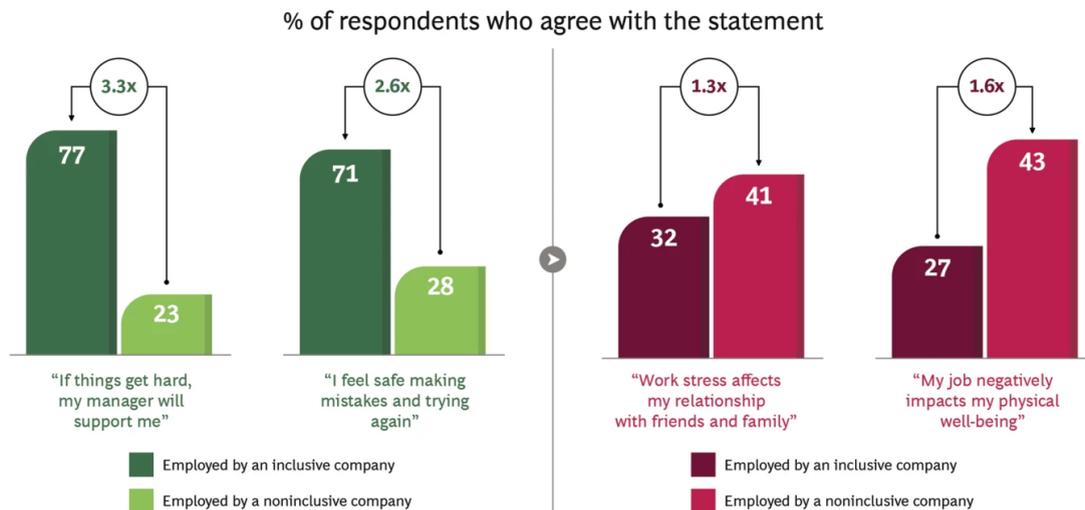
When Karan first started work at his company, he says, he assumed he would be there for only a couple years before moving on. That has changed. Karan has recently assumed a new managerial position and is now based in London. He is also entirely out, including with his colleagues and family back in India. “My mind is made up,” he says. “I won’t live undercover anymore.”

Our research, however, found that almost one in seven employees around the world disagree with the statement “I feel free to be my authentic self at work.” If we add those who neither agree nor disagree, almost one-third do not feel that they can bring their true selves to the workplace. The situation can be even worse for people who are not part of the dominant culture where they work. For example, around one-quarter of employees with nonvisible disabilities or health issues have not disclosed their condition to their employers. In addition, BCG’s recently published [Out@Work barometer](#) revealed that about one-quarter of LGBTQ+ employees said they are not out with their colleagues; 55% reported not being out with clients. And while the pandemic has increased empathy for caregivers, many employees hide such responsibilities from their colleagues to avoid being stigmatized.

Actively hiding part of their identity at work hinders employees from thriving and translates into higher job dissatisfaction and lower confidence. Just 27% of respondents who said their employer lacks an inclusive culture indicated they are happy on the job. Only 23% of employees in noninclusive companies reported that they think their managers will support them when things get hard. More than 40% said that work stress affects their personal relationships and that their jobs adversely impact their physical well-being, significantly higher proportions than among employees in inclusive companies. Work stress also takes its toll in inclusive cultures, of course. But it affects employees’

health, private lives, and on-the-job performance more in noninclusive cultures, where workers lack appropriate support. (See Exhibit 2.)

## Exhibit 2 - A Lack of Support in Noninclusive Cultures Adversely Affects Employees' Health and Private Lives



Source: BCG's Diversity and Inclusion Assessment for Leadership (DIAL) survey, 2020.

## HOW COMPANIES CAN NURTURE MORE INCLUSIVE CULTURES

Organizations can become more inclusive and improve the well-being of their employees by taking several crucial measures.

### **Make the leadership commitment visible up and down the ladder.**

Ensure that all leaders are noticeably and vocally involved and committed to inclusion. The CEO sets the tone for frontline managers, who should also be trained in inclusive leadership. Alice says that in her experience, the fact that her firm's "first responders"—human resources staff and team managers—had such training made coping with her emotional challenges much easier. Indeed, BCG research on the importance of [frontline leadership in diversity initiatives](#) has shown that employees who see consistent support through all leadership ranks are 25% more likely to feel included than employees in companies where

only senior executives, but not direct managers, demonstrate commitment.

**Be truly inclusive.** Most companies start their diversity, equity, and inclusion journeys with the intention to increase the representation of diverse groups, such as women, people of color, and employees who identify as LGBTQ+. To be truly inclusive, organizations need to **reimagine diversity** by making sure to involve everybody, including such better-represented employees as dominant-culture straight men.

To build a feeling of belonging, the company's values must be respectful of every employee's individual identity, which comprises many factors beyond gender, sexual orientation, and ethnicity or race. Age, socioeconomic background, immigration status, physical differences, and life context—such as whether a person is a caregiver or lives in a dual-career household—all define who employees are and how they experience the workplace. So do personality types, learning styles, neurodiversity, and mental challenges, as in Alice's case. It's important, therefore, not to limit programs to narrow groups, such as granting parental leave only to mothers or flexible work programs just to caregivers, even if only implicitly.

**Institutionalize an inclusive environment and ways of working.**

Inclusion norms should be firmly embedded into an organization's every process and activity. The team environment—where most day-to-day interactions at work occur—can make or break progress in inclusion efforts. Line managers have the crucial responsibility of creating an environment in which employees can be their full selves.



The team environment—where most day-to-day interactions at work occur—can make or break progress in inclusion efforts.

Aligning on team norms and a working model helps members collaborate in an effective and sustainable way. It also enables them to thrive while balancing work and their private lives. Teams can agree on individual work hours, flexible hours, and protected time—such as periods dedicated to exercise. Sending calendar invites for planned vacation, for instance, gives colleagues an early heads-up, increases transparency, and enables others to keep those dates in mind as they schedule meetings. When employees don't have to worry about whether they can pick up their children on time or make it to a soccer practice, they can focus more efficiently on their work. Reasonable predictability leads to better work outcomes and provides increased quality time with friends and family. (See the sidebar “A Checklist for Inclusive Ways of Working.”)

### **A CHECKLIST FOR INCLUSIVE WAYS OF WORKING**

Every team and every employee has different needs, so agreeing on working norms and logistics upfront enables effective, sustainable, and inclusive teams. Consider taking these steps:

- Coordinate working hours, such as which time slots team members are expected to be available in the office or online and allow for flexibility.
- Come to an agreement on protected time, such as slots set aside for exercise, breaks, or uninterrupted work and times after which

calls are not accepted. Block protected time in calendars so that no meetings or calls are scheduled then.

- Mutually establish a comfortable meeting cadence. Agree on the frequency and length of meetings and check-ins, such as daily team standups and weekly work sessions. If possible, allow an extra five or ten minutes so that all team members can join in time.
- Align on work locations, such as whether team members can work remotely or need to be in the office. Onsite meetings should be scheduled for a specific day when everyone is available.
- Add phrases such as “for information,” “not urgent,” “urgent,” and “action required” as well as timeframes to emails and other communications so that recipients can prioritize.
- Frequently revise the team norms described above and adjust as team members’ personal situations change. Hold one another accountable for respecting agreed-upon norms.

**Adopt psychological-safety practices.** Psychological safety is the shared belief that it is safe to speak up in the workplace and take risks without fear of being blamed. It creates a climate of mutual trust and respect in which employees can test the status quo and challenge ideas.

Psychological safety is essential to unlocking an individual’s potential. Employees are more likely to take risks, admit mistakes, and learn from failure. Nine years ago, under the code name Project Aristotle, Google researchers began studying teams to understand what really makes them effective. It took almost three years and dozens of different tries until they found that psychological safety is the top driver of team success.

Leaders are crucial to enabling a psychologically safe environment by serving as role models. Organizations can train leaders to introduce team norms and ways of working that foster agile learning and help members

open up. Leaders can learn to actively listen, destigmatize failure, share their own mistakes, refrain from interrupting, and make sure that others don't interrupt. They can also position work as a learning opportunity and approach challenges with curiosity. And leaders can regularly measure the level of psychological safety through employee surveys and monthly team reviews, which teams must feel safe to complete honestly. (See the sidebar "How Line Managers Can Foster Psychological Safety.")

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## HOW LINE MANAGERS CAN FOSTER PSYCHOLOGICAL SAFETY

Frontline managers can create psychological safety on their teams by taking several actions that establish and cultivate a climate of mutual trust:

- **Open up.** Leaders can demonstrate their own vulnerability by sharing personal feelings and asking for help. To encourage candidness, they can invite each team member to reflect on one good and one bad thing that happened during their week, for instance, and then discuss what would have helped everyone be more open about these experiences.
- **Value others and proactively offer support.** Leaders can make sure that everyone actively participates and contributes to a meeting without being interrupted. Rotating ownership of the agenda and meeting moderation can help to ensure an equal share of voice. Team leaders should make clear that they appreciate the contributions of team members and explicitly highlight team efforts to encourage proactive support.
- **Normalize a test-and-learn environment.** Leaders can share their own mistakes to destigmatize failure. They can serve as role models to show it's okay to ask questions and not understand everything right away. Discussing team learning regularly and

sharing lessons learned from mistakes can help foster a learning culture.

- **Communicate in a direct way.** Leaders can promote a culture of open communication in which team members challenge others' thinking and offer constructive feedback. One way to encourage effective communication is to frame a discussion in advance. Before a meeting, be explicit on the expected outcome. Is the meeting a status update, for example, or a brainstorming session to generate new ideas? Or is the goal to solve a specific problem?

**Support inclusion efforts with data and measure progress.** What gets measured gets changed. Organizations therefore need to fully understand their employees' feelings of inclusion to identify areas needing attention. They should track diversity and representation data along the employee life cycle—from recruiting through promotion, retention, and attrition—and across levels and departments. Companies can also survey the level of inclusion and how employees feel. Leaders and managers should be held accountable for the results.

In addition, data and tools can help leaders make more inclusive and objective personnel decisions, rather than relying on intuition.

Organizations should establish transparent criteria and qualifications for promotions and top assignments. Precise scoring rubrics help make performance assessments fairer and more transparent. Instead of rankings that range from “1: significantly above expectations” to “5: significantly below expectations,” for example, use performance categories specific to the job, such as “mastery of software tools required for the position,” “communication skills,” and “work management and organization,” along with concrete examples of what is required to meet, exceed, or fall short of expectations in each category. Regularly check whether specific groups fall into particular performance quadrants and analyze why, if they do, to institute changes.

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Companies around the world, especially during the COVID-19 crisis, have made great strides in implementing programs to promote the physical and mental health of their employees. It is now time to devote resources and attention to developing an inclusive culture. By ensuring that all employees feel free to be themselves—and that their diversity itself is valued—organizations will be rewarded with healthier, happier, and ultimately more productive workforces.

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