

RESEARCH FOR THE WORLD

Behavioural science and the City

Published 12 January 2021



Dr Grace Lordan is Associate Professor of Behavioural Science in the Department of Psychological and Behavioural Science at LSE, the Founding Director of The Inclusion Initiative and Director of the LSE MSc in Behavioural Science.

Inclusion doesn't just help individuals, it has financial benefits for firms, but innovation and creativity are needed if equality of opportunities is to be achieved. **Grace Lordan** leads The Inclusion Initiative, which aims to help the financial sector identify what will work for them.

"I believe in equal opportunities for every individual, but often in firms that doesn't happen and only certain types of individuals get interviews, get pay increases, get stretch assignments or get promoted. Firms that want to be more creative, innovative and make better decisions need more diversity around the table. It's good for the bottom line of business, rather than a story about being good for society."

Grace Lordan, Associate Professor in Behavioural Science, sums up the thinking behind a new LSE research unit that is using behavioural science insights to measure and improve inclusion within financial firms.



Every year firms spend tens of thousands of pounds on services to improve inclusion with no clear link to cost effectiveness. ”

Dr Grace Lordan

The Inclusion Initiative (TII), directed and founded by Dr Lordan and co-directed by Karina Robinson, current Master of the Worshipful Company of International Bankers, will tackle inclusion from within the firm itself, offering interventions based on academic research that aims to understand why people make the choices they do.

It takes thought to get inclusion right

Dr Lordan, whose background is in computer science and economics, explains: "Every year firms spend tens of thousands of pounds on services to improve inclusion with no clear link to cost effectiveness. However, better business outcomes are not just a product of simply having more women or individuals with varying characteristics around a table. If we want to get inclusion right, people with different perspectives and life experiences need their voices heard. Empirical

evidence shows that this does not often happen mechanically. This is where behavioural science interventions can help.”

TII, which launched November 2020, will work with firms directly, observing people in their daily working lives to assess how effective their recommended interventions are. It will do this by introducing a viable proxy for measuring inclusion and quantifying 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. It will then propose to firms a menu of cost-effective interventions that could improve inclusion of all talent from pipeline to boardroom.



Enhanced inclusion can allow firms to re-start from a better place when the COVID-19 response is over. ”

Dr Grace Lordan

Inclusion in a virtual world: the COVID-19 impact

The new research unit was announced in early March 2020, just before the COVID-19 pandemic forced firms to vacate their offices and switch to home working. Dr Lordan reacted swiftly with a research project to identify obstacles and best practice for managing a team virtually during the crisis. She interviewed 35 CEOs and other senior leaders from big City firms, such as Allianz, Citi, Goldman Sachs, HSBC, JP Morgan, NatWest, Standard Chartered and UBS, with the aim of examining how they are managing teams in an inclusive way to ensure that all employees’ voices are heard for the most effective teamwork.

Ten obstacles to improving equality of opportunities

Dr Lordan’s report, *Virtual Inclusion in The City*, identifies ten major obstacles reported by senior leaders, corroborated by the thoughts given by 59 workers of varying levels of seniority, each accompanied by a set of three independent actions that can be easily pursued to enhance virtual inclusion in the firm.

She says: “As well as leading to more creative and innovative solutions that benefit the bottom line, enhanced inclusion can maintain employee morale during lockdown, allowing firms to re-start from a better place when the COVID-19 response is over.”

The pandemic has pushed the UK into an economic downturn which has had a significant impact on many firms, although there are hopes that GDP will bounce back once it is over. Women, particularly in banking, have traditionally been disproportionately victims of redundancies following recessions, according to Dr Lordan, who released a study in 2015 on employment effects of the 2008 financial crisis in the UK.

This is despite research suggesting banks that embrace gender diversity at a board level are more likely to come out of a financial crisis in better shape. For example, IMF researchers in 2018 found that banks with a higher share of women on their boards were more stable in 2008 when the global financial crisis hit. Dr Lordan’s research also found a “significant” racial labour market gap, which only widened as unemployment rates went up, particularly in high skilled jobs.



She explains: "People who were most likely to keep their jobs were white males who were highly educated. This highlights the importance of financial institutions paying attention to diversity during the crisis, or they are likely to erode any gains that have happened in the past."

The initiative has been endorsed by Andrew Bailey, Governor of the Bank of England, who commented: "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 inclusions." ■

Dr Lordan was speaking to Jo Bale, Senior Media Manager at LSE.

For more information, visit [***The Inclusion Initiative***](#).

Watch the introductory [***film***](#) on LSE Player.

Is gender equality possible? Grace Lordan features in this episode of the LSE IQ [***podcast***](#).

Subscribe to receive articles from LSE's online social science magazine

[**lse.ac.uk/rftw**](http://lse.ac.uk/rftw)