



The Profit Power of Corporate Culture: The Impact of Inclusive Leadership

Minority Corporate Counsel Association

Today's Panel



Stuart Alderoty

Executive Vice President,
General Counsel &
Corporate Secretary,
Citi Group Inc.



José Gonzalez

Chief Legal Officer,
QBE North America



Cynthia Dow

Managing Director,
Global Legal Practice Leader,
Russell Reynolds Associates



Tina Shah Paikeday

Executive Director,
Global D&I Consulting Services
Russell Reynolds Associates

The Inclusion Index: Inclusion Factors → Employee Outcomes

Key Employee Outcomes

Employee Belonging
In this organization, I can be successful as my authentic self.

Employee Engagement
I am highly engaged in my job.

Employee Intent to Remain
I intend on remaining with my organization for the foreseeable future.

Perceived Firm Reputation
This organization has a reputation for supporting diversity and inclusion.

Climate

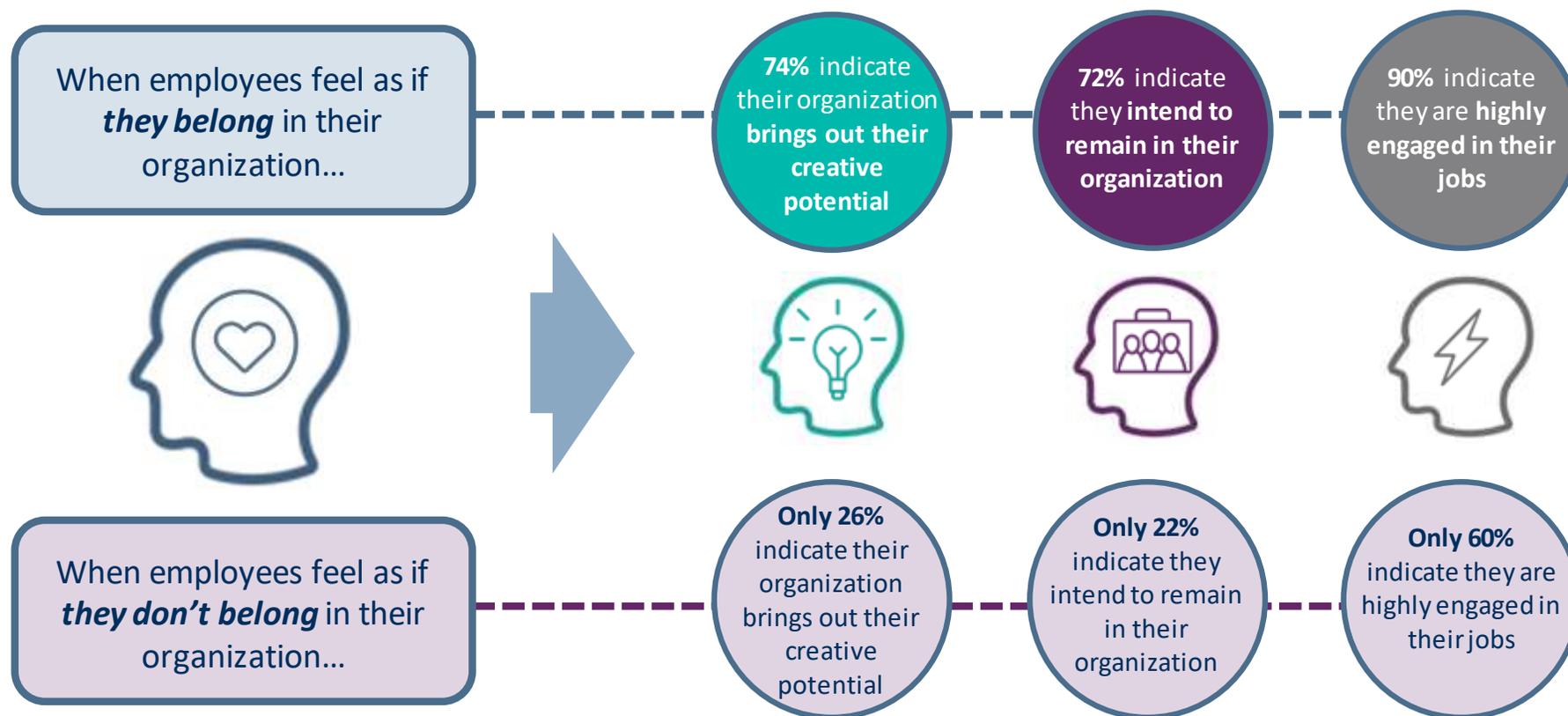
Structure

Leadership

<p>Working Across Differences A measurement of how an organization facilitates respectful, collaborative, and productive interactions and understanding between employees of all backgrounds</p>	<p>Leveraging of Different Perspectives The extent to which different viewpoints and backgrounds are welcomed and strategically leveraged within the organization to gain a competitive advantage</p>	<p>Workplace Respect The extent to which employees from all backgrounds experience a respectful workplace free of implicit and explicit offenses</p>
<p>Leadership Commitment The extent to which leadership within the organization supports and advances the efforts of diversity and inclusion</p>	<p> Inclusion Factors</p>	<p>Voice & Influence The extent to which employees of all backgrounds are given a voice, as well as influential representation in leadership</p>
<p>Employee Recruitment, Development & Retention A measure of an organization's efforts to recruit, retain and develop employees from all backgrounds</p>		<p>Accommodating Differences The extent to which accommodations are made for employees when needed, and without retribution</p>

The Impact of Belonging

Those who belong are more likely to see their organization as bringing out their creative potential, more likely to remain at their organization, and are more engaged in their jobs



Note: The Russell Reynolds Associates Diversity Pulse Survey contains data from 2,100+ senior executives representing all industries and geographic regions.

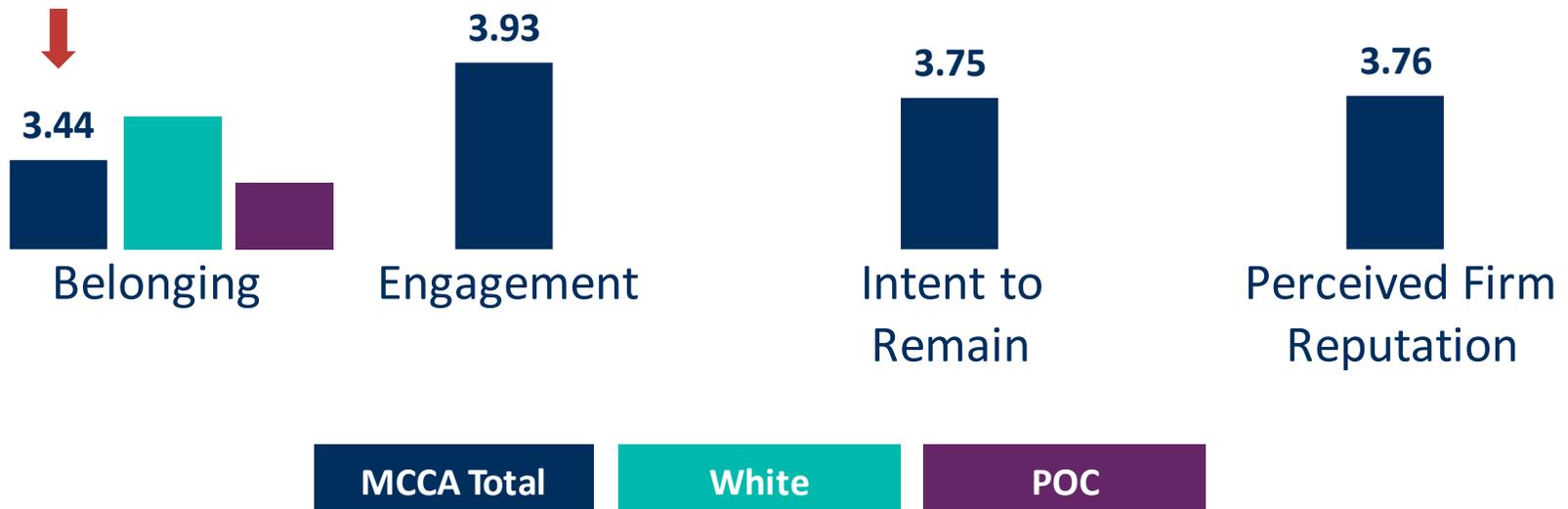
Among outcomes, “Belonging” was rated lowest by MCCA on the whole but especially by racial and ethnic minorities



Although three out of four employee outcomes scored high, Employee Belonging scored significantly lower

Belonging: The extent to which individuals feel they can be their authentic selves at work.

Employee Outcomes

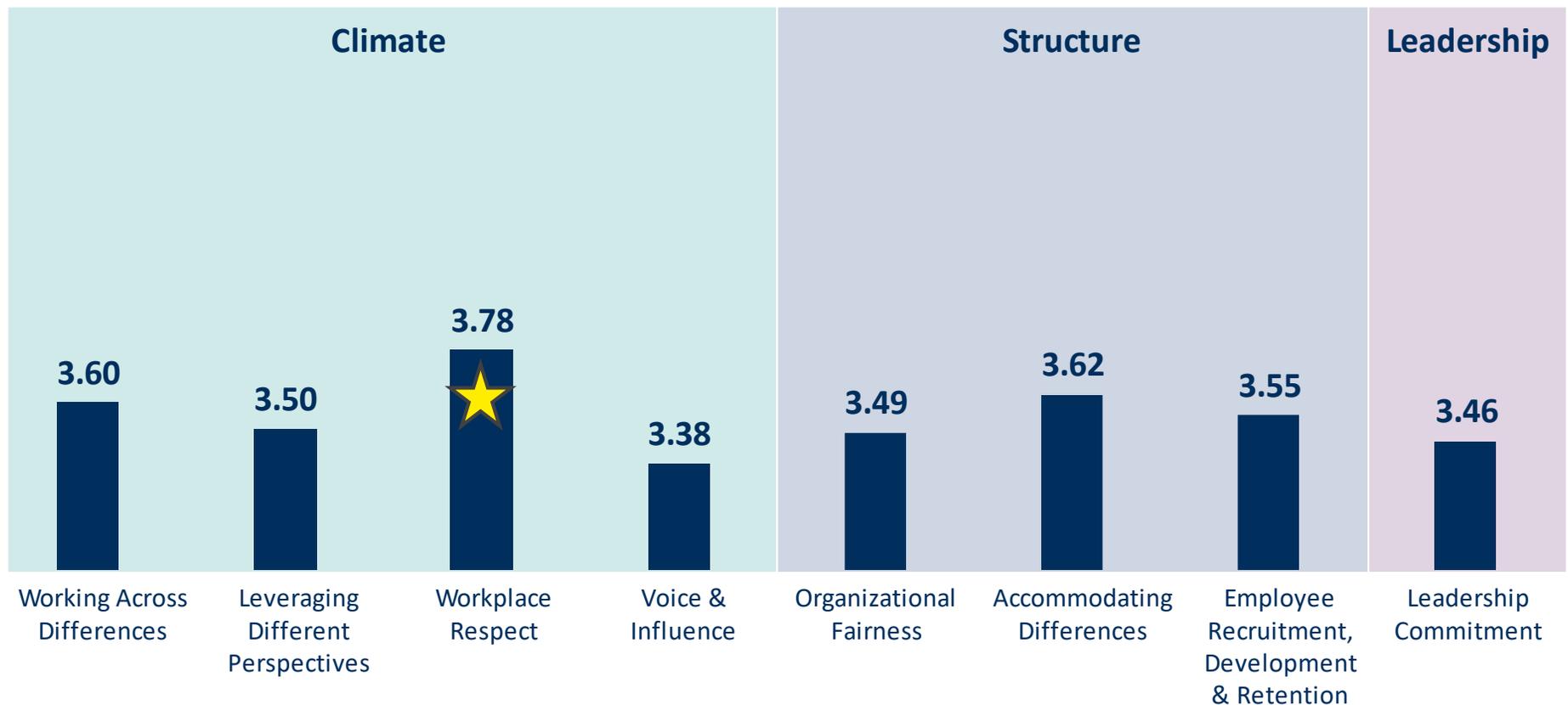


Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

The MCCA rated Workplace Respect highest among the 8 inclusion factors



Of all inclusion factors, Workplace Respect is highest-scoring among all MCCA participants

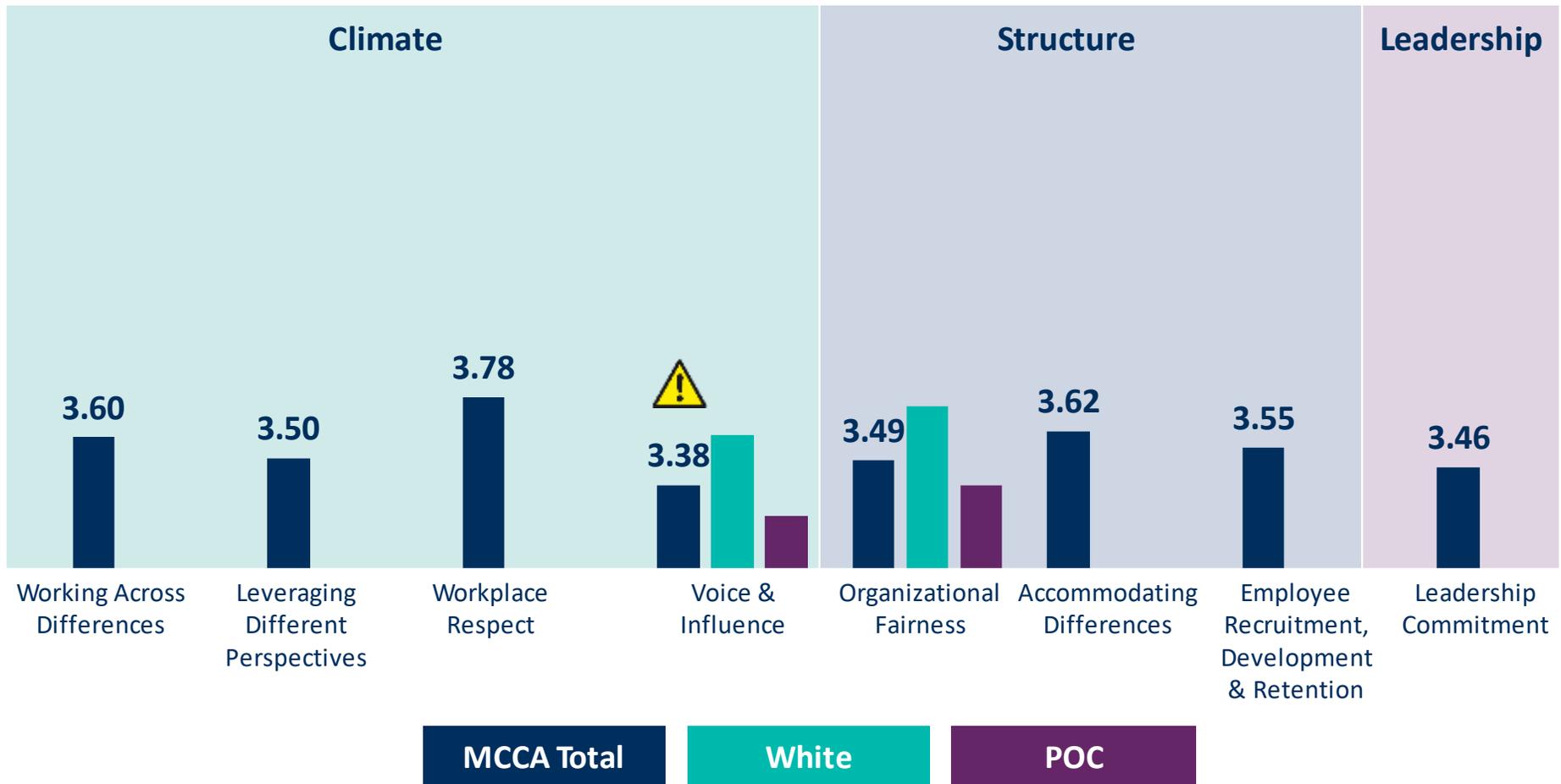


Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

Among climate factors, MCCA and racial & ethnic minorities rated Voice & Influence lowest



Voice & Influence is the lowest-scoring climate inclusion factor



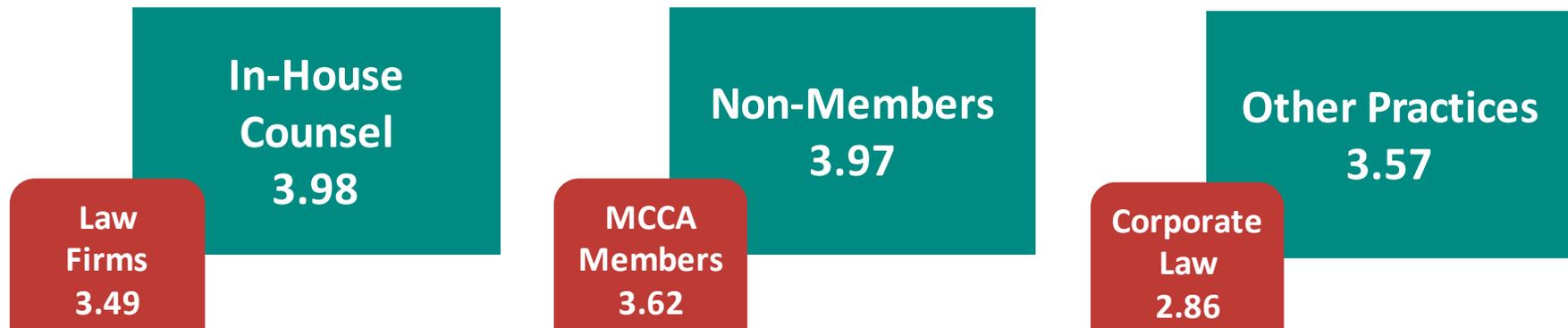
Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

Fewer outlets for Voice & Influence are noted by law firm lawyer than in-house, by MCCA than non-members and by corporate lawyers



With regard to more formal methods to express Voice & Influence (e.g., engagement surveys), we see lower scores for those in law firms, MCCA members, and those who work in corporate practices

Voice & Influence item: “Employees have formal methods to express concerns to management (e.g., engagement surveys)”

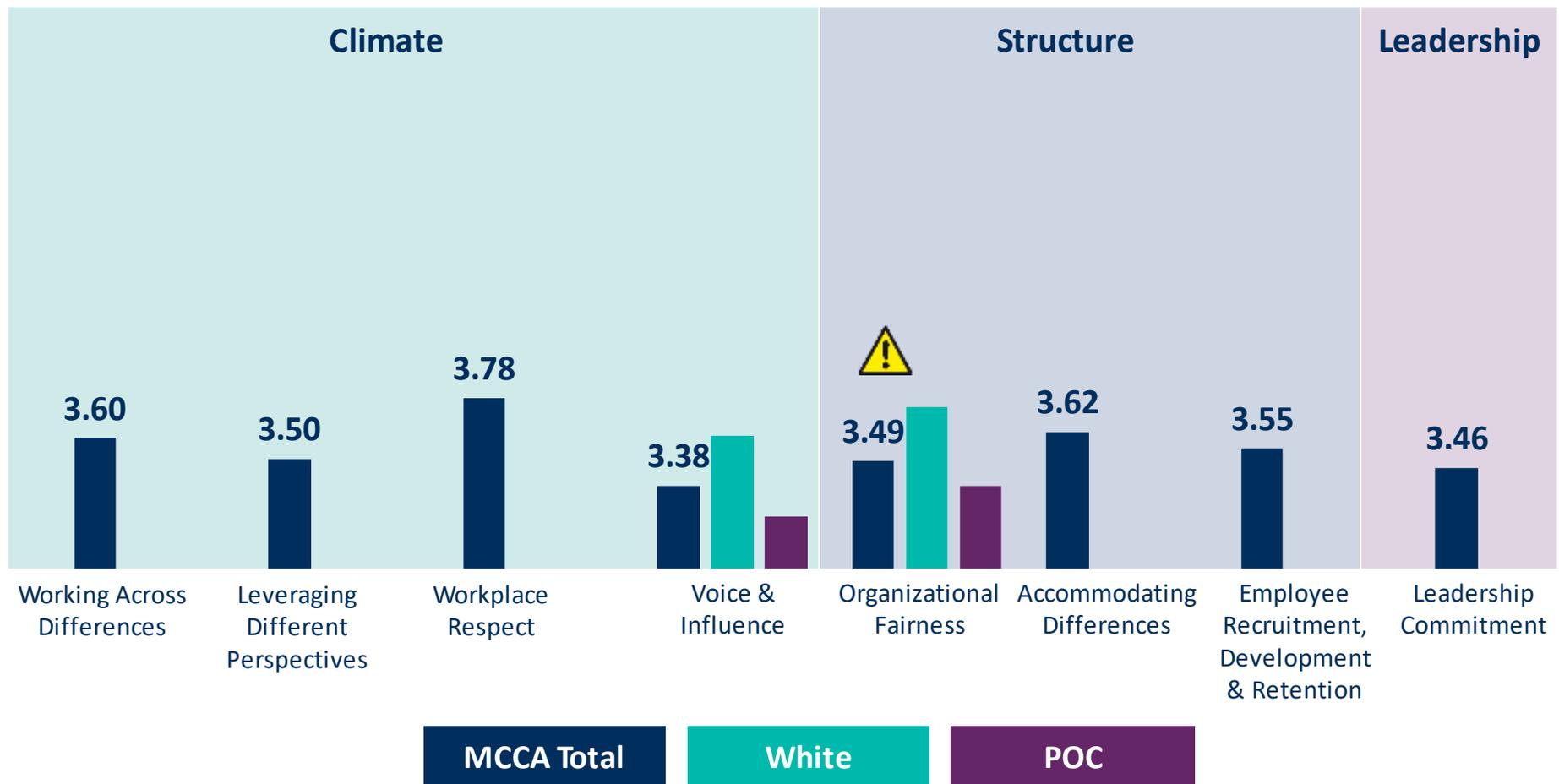


Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

For the structural factors, MCCA members and especially racial & ethnic minorities perceive lower levels of Organizational Fairness



Organizational fairness is the lowest-scoring structural inclusion factor



Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

As we see across industries, leadership commitment provides the largest opportunity for progress forward – and MCCA has a head start

	Climate			Structure			Leadership	
	Working Across Differences	Leveraging Different Perspectives	Workplace Respect	Voice & Influence	Organizational Fairness	Accommodating Differences	Employee Recruitment, Development & Retention	Leadership Commitment
MCCA	3.60	3.50	3.78	3.38	3.49	3.62	3.55	3.46
Professional Services	3.57	3.34	4.09	3.23	3.81	3.47	3.54	3.06
Consumer	3.20	3.23	3.95	3.28	3.57	3.57	3.03	3.00
Financial Services	3.32	3.29	4.00	3.23	3.38	3.36	3.36	3.05
Healthcare	3.36	3.46	4.07	3.74	3.78	3.52	3.31	3.12
Industrial/ Natural Resources	3.27	3.33	3.91	3.28	3.51	3.48	3.30	3.01
Nonprofit	3.85	3.76	4.15	3.38	3.68	3.82	3.56	3.32
Technology	3.52	3.27	4.08	3.38	3.59	3.62	3.38	3.10

Note: All Inclusion Index items and factors are scored on a 1 (Strongly Inaccurate) to 5 (Strongly Accurate) scale.

The Profit Power of Corporate Culture: *The Impact of Inclusive Leadership*

Executive Summary

- The legal industry is doing better on inclusion factors than other professional services driven by a core foundation of high levels of respect
- An opportunity for increasing an attorney's sense of belonging (bringing their true selves to work) exists by increasing the opportunity for and impact of minority voices on organizational fairness in promotion decisions
- MCCA has a special role to play as the voice for its members as those who feel like they belong less are more likely to join

DIVERSITY AND INCLUSION

Diversity and Inclusion Pulse: 2017 Leader's Guide

September 8, 2017

Jamie Hechinger, Amy Hayes, Kalpana Denzel, Harsonal Sachar, Molly Forgang, Kristyna Jansova, Jacob Martin, Ian Coyne

PRINT SHARE DOWNLOAD PDF

Diversity and Inclusion Pulse: 2017 Leader's Guide



- **STEP 1: Agree on the Meaning of D&I**
Ensure that all executives understand the organization's specific definition of diversity and inclusion so that they can act as informed advocates.
- **STEP 2: Develop a D&I Strategy**
Establish a D&I strategy to realize human capital benefits, such as increased employee engagement and creativity.
- **Step 3: Publicly Commit to D&I**
Transparently commit to D&I and hold leadership accountable to results.
- **Step 4: Use D&I to Attract Top Talent**
Demonstrate commitment to D&I to attract top talent, which is increasingly seeking out companies that "walk the walk."
- **Step 5: Incorporate D&I into Talent Strategy**
Understand how the absence of an overarching process or strategy will ultimately obstruct talent attraction, development, and retention.
- **Step 6: Lead by Example**
Personify the organization's D&I agenda and philosophy to influence others to do the same.

Methodology

Russell Reynolds Associates surveyed 2,167 male and female executives around the world to understand how companies align themselves around diversity and inclusion (D&I). We compiled insights from our data and our work in the market into six steps that leaders can take to help their companies achieve D&I success. We used the following definitions to craft our approach:

- **Diversity:** Gender, race, ethnicity, religion, national origin, age, sexual orientation, gender identity and expression, disability, veteran status, political affiliation, education, experience, work style, communication style, socio-economic background, cross-cultural competency and perspective
- **Inclusion:** The cultivation of an environment that creates opportunities for all employees to realize their unique potential
- **Belonging:** The extent to which individuals feel they can be their authentic selves at the organization

We used these definitions to test the impact of D&I on the following human capital outcomes:

- Decreased intent to leave
- Increased employee engagement
- Increased creativity
- Greater employee belonging
- Diverse talent retention



Step One: Agree on the Meaning of D&I

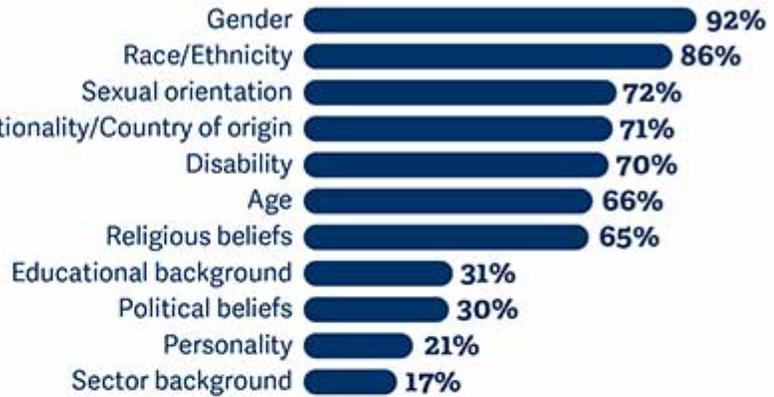
Companies must ensure that executives are not only aware of D&I strategies, but also understand what D&I means to their specific organizations, so that they can serve as informed advocates.

Many companies understand “diversity,” but struggle to grasp “inclusion” in concrete terms. Nearly half of executives (47%) state that their organizations have a clear, holistic definition of diversity, while less than a quarter (24%) are aware of a definition of inclusion. Similarly, many more companies publicly align their business strategies with diversity than with inclusion, according to their executives.

Executives understand their companies' philosophies on **inherent** diversity, but are less sure when it comes to **acquired** forms of diversity



COMMON CATEGORIES OF DIVERSITY



COMMON ELEMENTS OF INCLUSIVITY



Question: Which of the following are likely included in your organization's definition of "diversity" and "inclusion"?

Note: Inherent diversity involves traits we are born with, such as gender and ethnicity, while acquired diversity involves traits we gain from experience, such as sector background. (HBR).

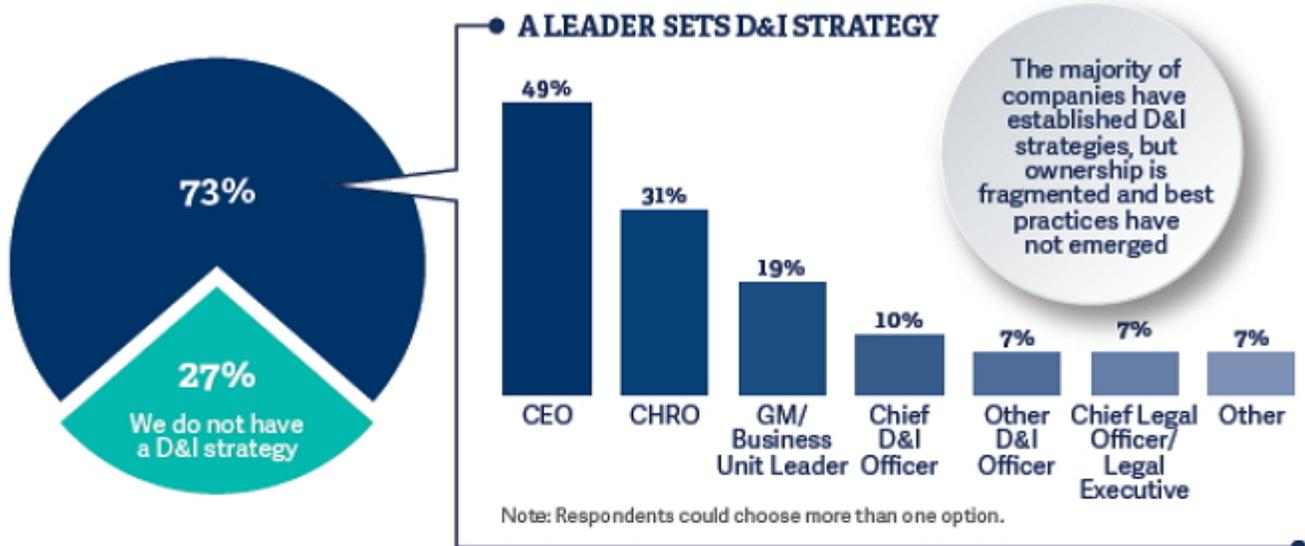
64% of organizations align their efforts to foster diversity with their business strategy

45% of organizations align their efforts to create an inclusive culture with their business strategy

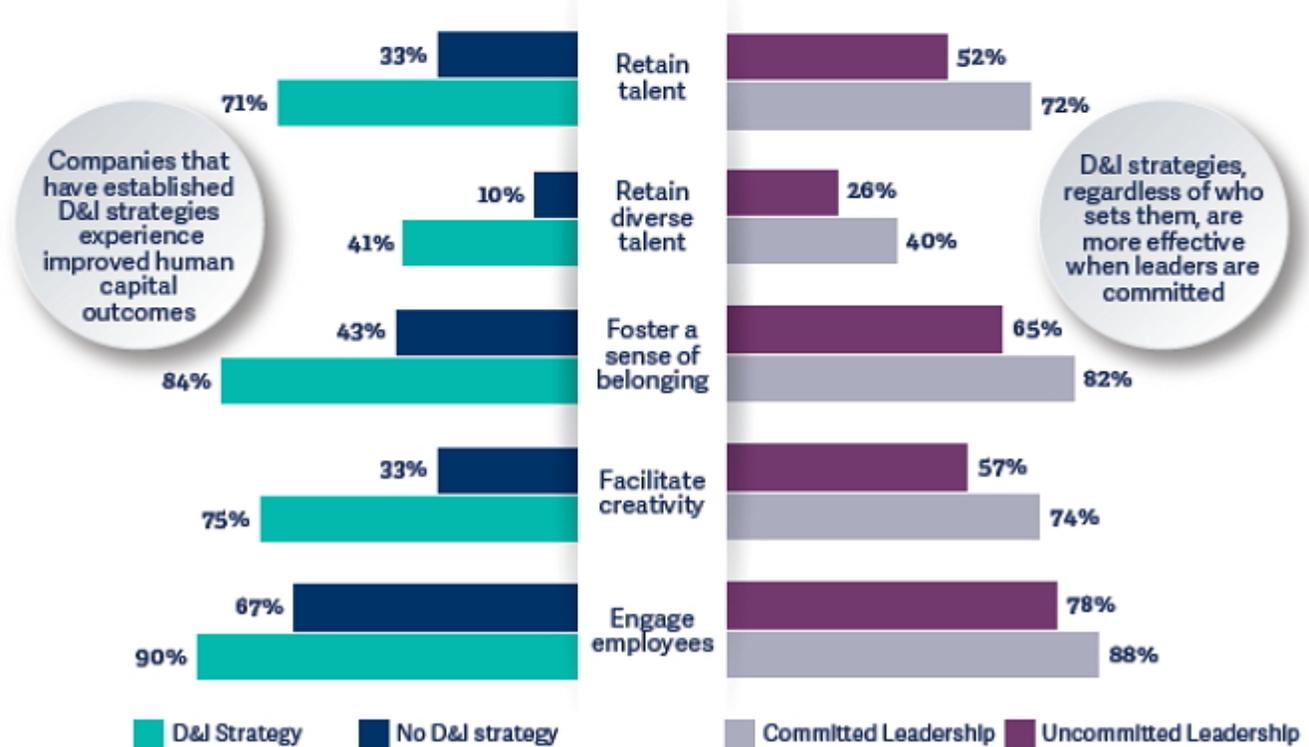
Step Two: Develop a D&I Strategy

Companies that have an established D&I strategy consistently score higher on human capital outcomes, such as employee engagement and creativity. The impact of this strategy is enhanced when leaders are fully committed.

WHO SETS THE D&I VISION AND STRATEGY AT YOUR ORGANIZATION?



TO WHAT EXTENT DOES YOUR COMPANY EFFECTIVELY...



Responses shown: "Somewhat Agree" or "Strongly Agree"

Step Three: Publicly Commit to D&I

Companies are increasingly aware that they need to commit to D&I as a corporate objective and establish systems of accountability. For a D&I strategy to succeed, however, leaders must be motivated to drive it. To get these leaders on board, companies are moving beyond treating D&I as a compliance obligation and are instead broadcasting the commercial benefits it promises if truly embedded into the company's DNA. Further, they are encouraging D&I goal setting across the employee base, and specifically the leadership team, as an important step in displaying commitment to D&I. Formal accountability mechanisms, such as adding D&I targets to leadership performance criteria, ensure that real progress is made over time.

WHY ORGANIZATIONS COMMIT TO D&I

Business Reasons

Empower workforce 44%

Strengthen employer brand 40%

Compete globally 39%

Deepen understanding of customers 36%

Innovate 33%

Improve financial performance 19%

Compliance Reason

Avoid legal repercussions 20%

HOW ORGANIZATIONS COMMIT TO D&I

Goal setting and measurement of progress

My organization ...

Sets workforce diversity goals 46%

Measures its level of inclusion via surveys / employee feedback 40%

Sets senior leadership diversity goals 39%

Accountability

My organization ...

Holds itself accountable for meeting diversity goals 40%

Holds itself accountable for meeting inclusion goals 38%

Responses shown: "Somewhat Agree" or "Strongly Agree"

Step Four: Use D&I to Attract Top Talent

Companies are failing to recognize D&I as a critical solution to the challenge of identifying and attracting top talent. While 74% of executives view D&I as crucial to the success of their organization, most companies do not take advantage of D&I to attract top talent. By failing to embed D&I into their talent strategy, companies not only miss out on exceptional talent, but also on the benefits realized by diverse talent and an inclusive culture.

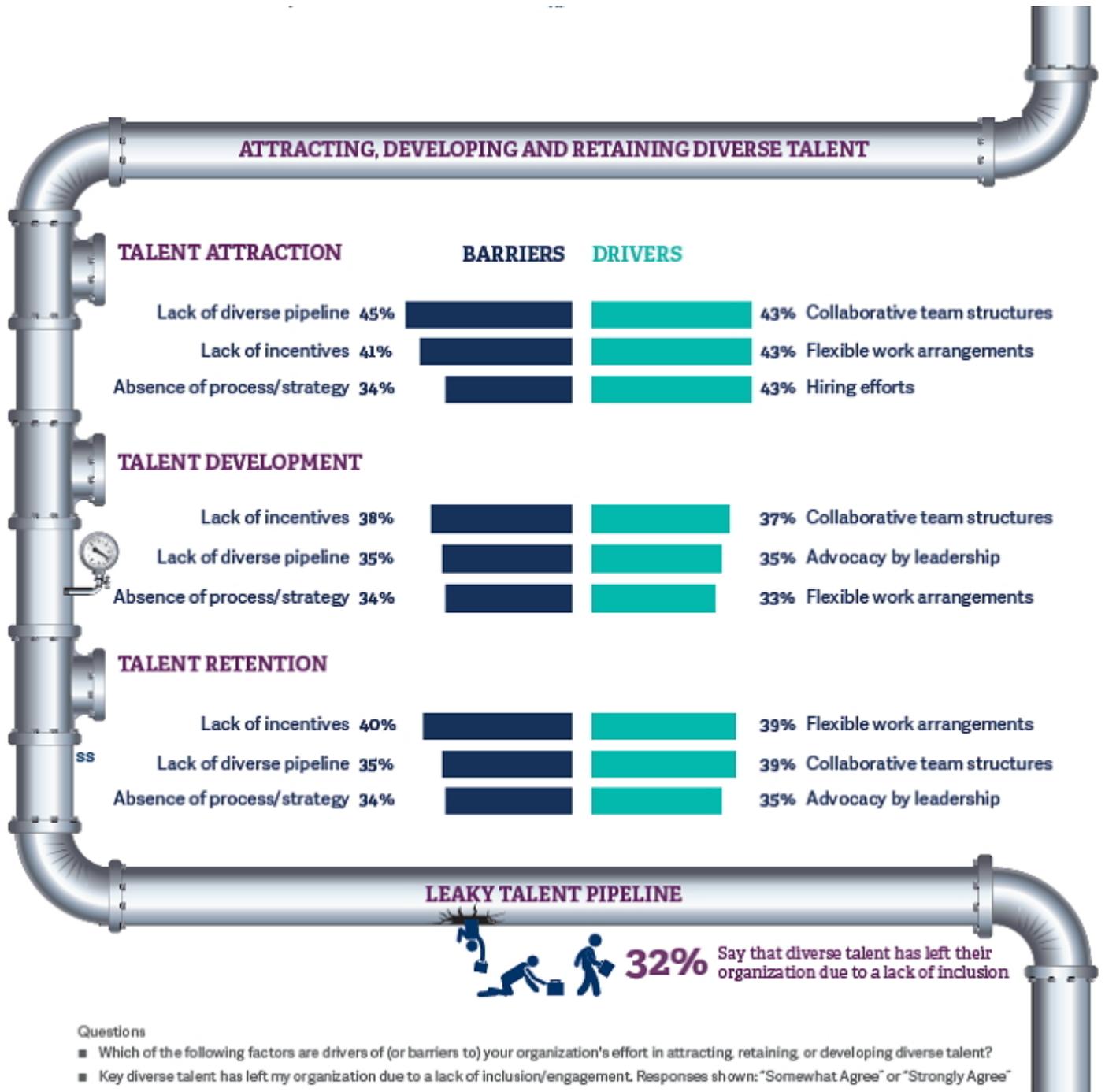
TOP BUSINESS CHALLENGES AND OPPORTUNITIES



Question: Which of the following business challenges and opportunities are your organization facing?

Step Five: Incorporate D&I into Talent Strategy

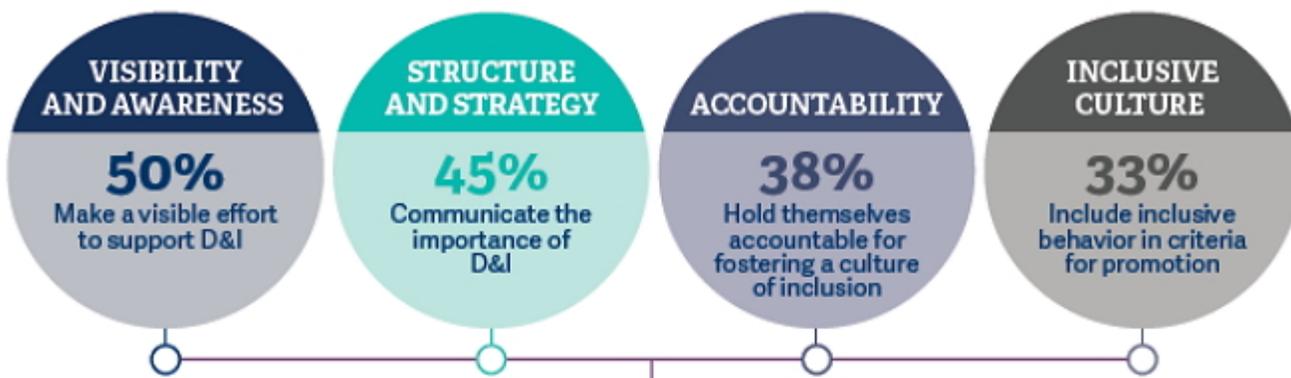
Although more than half of companies (53%) prioritize the hiring of diverse talent, significantly fewer are focused on talent retention (47%). Further, only a quarter of companies are ultimately effective at talent attraction and retention, suggesting there are significant obstructions to an effective D&I strategy. Leaders must understand that while isolated efforts, such as hiring programs or flexible work arrangements, may get diverse employees through the door, the lack of an overarching process or strategy ultimately impedes talent attraction, development and retention.



Step Six: Lead by Example

D&I strategy is most effective when leaders are visibly committed to D&I and modeling inclusive behaviors.

HOW LEADERS COMMIT TO D&I



Responses shown: "Somewhat Agree" or "Strongly Agree"

WHAT YOU CAN DO TODAY

INCREASE VISIBILITY AND AWARENESS	PUT STRUCTURE AND STRATEGY IN PLACE	ENHANCE ACCOUNTABILITY	FOSTER AN INCLUSIVE CULTURE
<ul style="list-style-type: none"> Establish a D&I task force to increase awareness of diverse employees and cultures Ensure diverse role models have a voice Provide a platform for underrepresented groups to share success stories, such as employee resource groups or video streams Support cross-cultural mentoring and global talent rotations 	<ul style="list-style-type: none"> Set and communicate D&I goals Appoint a chief diversity officer who partners with the CEO Remove process bias from talent attraction, development and retention – e.g., establish diverse hiring panels Create assisted succession planning for underrepresented groups Ensure the CEO, board and senior leadership have an unbiased view of barriers to effective D&I strategy 	<ul style="list-style-type: none"> Develop dashboards and scorecards to track D&I metrics Tie performance, KPIs and compensation to D&I targets and behaviors Acknowledge & reward inclusive employees and managers Embed D&I objectives into business plans 	<ul style="list-style-type: none"> Diagnose the company's level of inclusion to uncover pain points Provide unconscious-bias training to all managers Hire and promote inclusive leaders, invest in inclusive leader assessment Develop an inclusive definition of great talent and ensure that the need for "culture fit" is not an excuse to reject diverse talent

AUTHORS

JAMIE HECHINGER leads the Social Justice & Advocacy Practice and co-leads the Diversity & Inclusion Practice in the U.S. She focuses primarily on CEO searches, working with board search committees and senior management to optimize the succession planning process for CEOs and critical leadership positions. She also oversees executive assessments and counsels organizations on board development. She is based in Washington, DC.

AMY HAYES is a leader of the Leadership and Succession Practice and co-leads the Diversity & Inclusion Practice in the U.S. She focuses primarily on CEO and board advisory work, counseling boards and executive management teams on CEO

and C-suite succession planning and talent assessment and development. She also helps boards and senior management teams build inclusive and effective cultures. She is based in Atlanta.

KALPANA DENZEL is a core member of the Consumer Sector and leads the Diversity & Inclusion Practice in Asia Pacific. She conducts leadership assignments across the Asia Pacific region for both global and Asian multi-nationals, including family-led businesses. She is also an active member of the Higher Education Practice. She is based in Singapore.

HARSONAL SACHAR is the knowledge lead for the Consumer Products Practice and a core member of the Diversity & Inclusion Practice. She is based in Toronto.

MOLLY FORGANG is a member of the Leadership and Succession and Diversity and Inclusion Practices. She is based in Chicago.

KRISTYNA JANSOVA is the knowledge lead for the Retail Practice and a member of the Diversity and Inclusion Practice. She is based in London.

JACOB MARTIN is an organizational psychologist and core member of the Leadership and Succession and Diversity and Inclusion Practices. He is based in Atlanta.

IAN COYNE leads the global Knowledge Management team and is also a member of the Diversity & Inclusion Practice, with a focus on the impact that inclusive cultures have on creativity and engagement. He is based in London.

DISCOVER MORE ABOUT OUR
EXPERTISE IN

Diversity And Inclusion

We truly understand that nurturing and sustaining diverse and inclusive leadership is a proven way for companies to make smarter decisions.

Additional Expertise

[Executive Search](#)

Sign up for our newsletter

Get the newsletter that prepares you for what's next with valuable insights across industries and geographies.

FIRST NAME *

LAST NAME *

EMAIL ADDRESS *

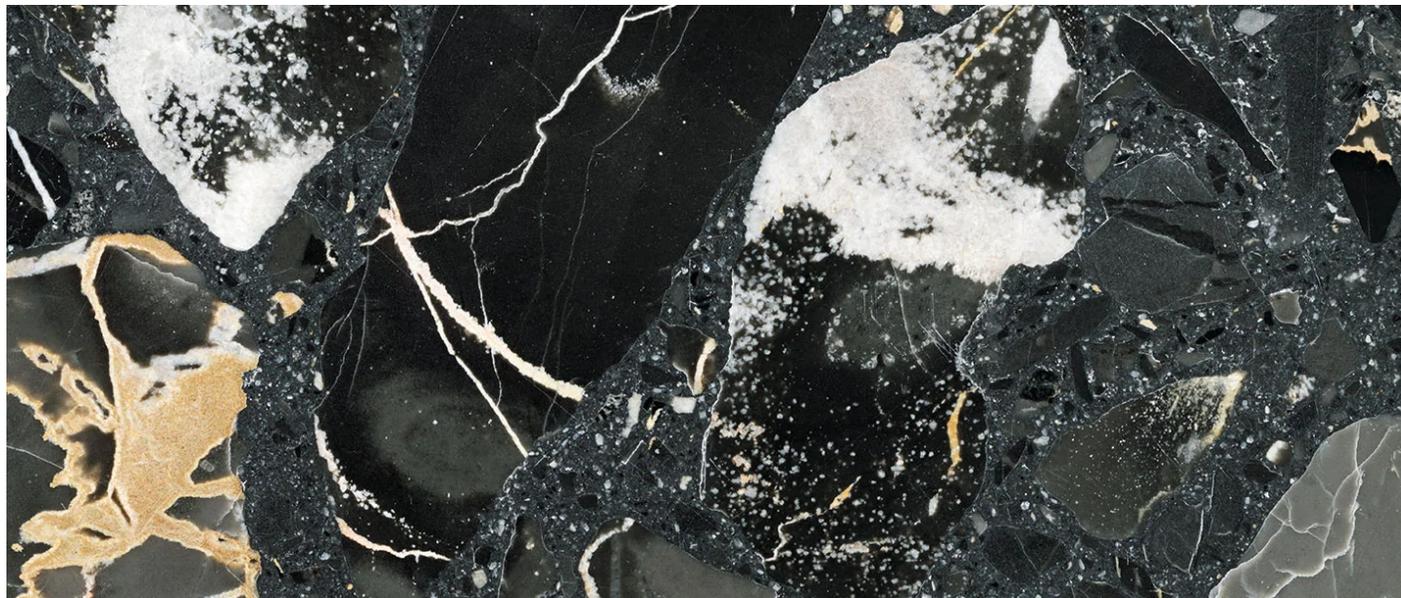
COMPANY

TITLE

DISCOVER MORE ABOUT OUR EXPERTISE IN

Diversity And Inclusion

We truly understand that nurturing and sustaining diverse and inclusive leadership is a proven way for companies to make smarter decisions.



Article

The diversity and inclusion revolution: Eight powerful truths

Deloitte Review, issue 22

[Juliet Bourke](#) , [Bernadette Dillon](#)

January 22, 2018

While most business leaders now believe having a diverse and inclusive culture is critical to performance, they don't always know how to achieve that goal. Here are eight powerful truths that can help turn aspirations into reality.

Diversity and inclusion as transformative forces

IN 2013, Qantas posted a record loss of AUD\$2.8 billion. ¹ This low point in the airline's 98-year history followed record-high fuel

costs, the grounding of its A380s in 2010 for engine trouble, and the suspension of its entire fleet for three days in 2011 after a series of bitter union disputes. Across the country, predictions surrounding the fate of Australia's national carrier were dire.

Fast-forward to 2017, and the situation couldn't be more different. ² Qantas delivered a record profit of AUD\$850 million, ³ increased its operating margin to 12 percent, ⁴ won the "World's Safest Airline" award, ⁵ ranked as Australia's most trusted big business ⁶ and its most attractive employer, ⁷ and delivered shareholder returns in the top quartile of its global airline peers and the ASX100. ⁸

Transformation is an overused word, but for Qantas it's a perfect description. How did it happen? The company's 2017 Investor Roadshow briefing sounded like a textbook in disciplined operational and financial management, as well as employee, customer, and shareholder focus. Yet for CEO Alan Joyce, the spectacular turnaround reflects an underlying condition: "We have a very diverse environment *and* a very inclusive culture." ⁹ Those characteristics, according to Joyce, "got us through the tough times ¹⁰ . . . diversity generated better strategy, better risk management, better debates, [and] better outcomes." ¹¹

Joyce's insight reflects a growing recognition of how critical diversity and inclusion (D&I) is to business performance. Indeed, two-thirds of the 10,000 leaders surveyed as part of Deloitte's 2017 *Global Human Capital Trends* report cited diversity and inclusion as "important" or "very important" to business. ¹² Despite this, overt attributions such as Joyce's are scarce. Rarely does diversity and inclusion feature so



<https://www2.deloitte.com/content/dam/and-inclusion-revolution/figures/4209_fig0.png>

centrally in a CEO’s story of success.

The challenge lies in translating a nod of the head to the value of diversity and inclusion into impactful actions—and that necessitates a courageous conversation about approaches to date.

To accelerate that conversation, this document presents eight powerful truths about diversity and inclusion. It is the culmination of our work with approximately 50 organizations around the world, representing a footprint of more than 1 million employees. In this article, we draw upon the findings of seven major research studies that cut into new ground, covering topics such as diversity of thinking, inclusive leadership, and customer diversity. ¹³ Our aim is to inspire leaders with possibilities and to close

the gap between aspiration and reality.

1. Diversity of thinking is the new frontier

“The most innovative company must also be the most diverse,” says Apple Inc. ¹⁴ “We take a holistic view of diversity that looks beyond

usual measurements. A view that includes the varied perspectives of our employees as well as app developers, suppliers, and anyone who aspires to a future in tech. Because we know new ideas come from diverse ways of seeing things.” ¹⁵

Apple’s insight lines up with Joyce’s. It’s about looking beyond demographic parity to the ultimate outcome—diversity of thinking.

This is not to say that demographic characteristics, such as gender and race, are not important areas of focus. Organizations still need to ensure that workplaces are free from discrimination and enable people to reach their full potential.

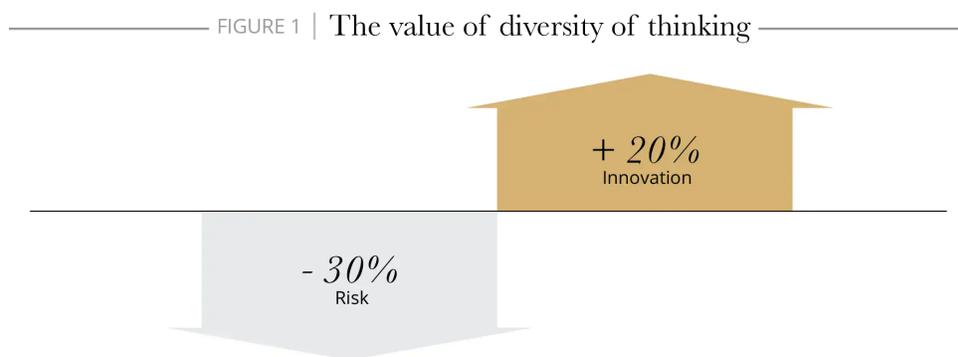
But there is a horizon beyond this.

Our view is that the goal is to create workplaces that leverage diversity of thinking. Why? Because research shows that diversity of thinking is a wellspring of creativity, enhancing innovation by about 20 percent. It also enables groups to spot risks, reducing these by up to 30 percent. And it smooths the implementation of decisions by creating buy-in and trust (figure 1). ¹⁶

So how can leaders make this insight practical, and not neglect demographic diversity?

The answer lies in keeping an eye on both. Deloitte’s research reveals that high-performing teams are both cognitively *and* demographically diverse. By cognitive diversity, we are referring to educational and functional diversity, as well as diversity in the mental frameworks that people use to solve problems. A complex problem typically requires input from six different mental frameworks or “approaches”: evidence,

options, outcomes, people, process, and risk. In reality, no one is equally good at all six; hence, the need for complementary team members. ¹⁷ Demographic diversity, for its part, helps teams tap into knowledge and networks specific to a particular demographic group. More broadly, it can help elicit cognitive diversity through its indirect effect on personal behaviors and group dynamics: For example, racial diversity stimulates curiosity, and gender balance facilitates conversational turn-taking. ¹⁸



Source: Juliet Bourke, *Which Two Heads Are Better Than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions* (Australian Institute of Company Directors, 2016).

Deloitte Insights | deloitte.com/insights

<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig1.png>

Diversity of thinking is powerful for three reasons. First, it helps create a stronger and broader narrative about the case for diversity, one in which *everyone* feels relevant and part of a shared goal. Second, it more accurately reflects people's intersectional complexity instead of focusing on only one specific aspect of social or demographic identity. ¹⁹ Third, a focus on cognitive diversity recognizes that

demographic equality—rather than being its own end—is useful as a visible indicator of progression toward diversity of thinking.

The truth is, optimal diversity of thinking cannot be achieved without a level playing field for all talent, and clearly there is still work to be done on that front.

2. Diversity without inclusion is not enough

Deloitte’s research identifies a very basic formula: *Diversity + inclusion = better business outcomes*. Simply put, diversity without inclusion is worth less than when the two are combined (figure 2). ²⁰



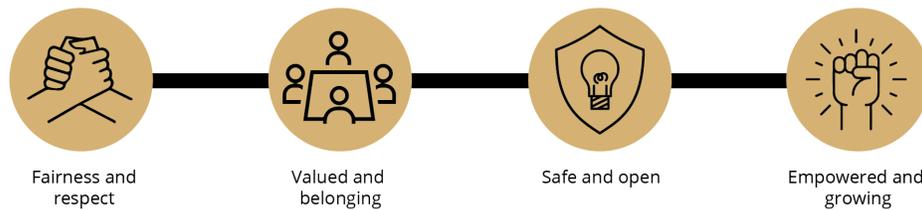
<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig2.png>

This insight is gaining traction, helping to position diversity and inclusion as separate concepts with equal importance. But there’s a problem. The definition of “inclusion” is often left to personal interpretation, and many organizations seem unclear about what it means. Without a shared understanding of inclusion, people are prone to miscommunication, progress cannot be reliably evaluated, leaders

can't be held accountable, and organizations default to counting diversity numbers.

What does inclusion really mean? Deloitte's research reveals that a holistic definition comprises four related yet discrete elements (figure 3).

FIGURE 3 | The science of inclusion: Deloitte's inclusion model



Sources: Bersin by Deloitte, *High-impact diversity and inclusion: The new maturity model*, 2017; Juliet Bourke and Bernadette Dillon, *Waiter, is that inclusion in my soup? A new recipe to improve business performance*, Deloitte Australia and the Victorian Equal Opportunity and Human Rights Commission, 2012.

Deloitte Insights | deloitte.com/insights

<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig3.png>

First, people feel included when they are treated “equitably and with respect.” Participation without favoritism is the starting point for inclusion, and this requires attention to nondiscrimination and basic courtesy.

The next element relates to “feeling valued and belonging.” Inclusion is experienced when people believe that their unique and authentic self is valued by others, while at the same time have a sense of connectedness or belonging to a group.

At its highest point, inclusion is expressed as feeling “safe” to speak up without fear of embarrassment or retaliation, *and* when people feel

“empowered” to grow and do one’s best work. Clearly, these elements are critical for diversity of thinking to emerge. ²¹

The truth is that only when organizations are clear about the objective can they turn their attention to the drivers of inclusion, take action, and measure results.

At its highest point, inclusion is expressed as feeling “confident and inspired.”

3. Inclusive leaders cast a long shadow

Deloitte’s research shows that the behaviors of leaders (be they senior executives or managers) can drive up to 70 percentage points of difference between the proportion of employees who feel highly included and the proportion of those who do not. ²² This effect is even stronger for minority group members. ²³ Furthermore, an increase in individuals’ feelings of inclusion translates into an increase in perceived team performance (+17 percent), decision-making quality (+20 percent), and collaboration (+29 percent) (figure 4). ²⁴ Pause for a second to let those numbers sink in. This phenomenal difference reflects the power of a leader’s shadow.

FIGURE 4 | Inclusive leadership and team performance



Source: Based on Deloitte Australia's analysis of 105 leaders as assessed by 600 raters against the six signature traits of inclusive leadership and perceived performance outcomes.

Deloitte Insights | deloitte.com/insights

<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig4.png>

What distinguishes highly inclusive leaders from their counterparts? Deloitte's research identifies six signature traits, all of which are interrelated and mutually reinforcing (figure 5): **25**

- 1 **Commitment** : They are deeply committed to diversity and inclusion because it aligns with their personal values, and they believe in the business case for diversity and inclusion. They articulate their commitment authentically, bravely challenge the status quo, and take personal responsibility for change.
- 2 **Courage** : They are humble about their own capabilities and invite contributions by others.
- 3 **Cognizance of bias** : They are conscious of their own blind spots as well as flaws in the system, and work hard to ensure opportunities for others.

- 4 *Curiosity* : They have an open mind-set; they are deeply curious about others, listen without judgment, and seek to understand.
- 5 *Culturally intelligent* : They are attentive to others' cultures and adapt as required.
- 6 *Collaboration* : They empower others and create the conditions, such as team cohesion, for diversity of thinking to flourish.

Clearly, these traits are much more than just being “nice” to people, or even just being aware of unconscious biases. Our view is that inclusive leadership is broader and a much more intentional and effortful process. In essence, inclusion of diversity means adaptation. Leaders must alter their behaviors and the surrounding workplace to suit the needs of diverse talent, ideas, customers, and markets.

The truth is, the rules of the game have changed, and the old “hero” style of leadership is . . . old. As the context has become much more diverse, inclusive leadership is now critical to success.

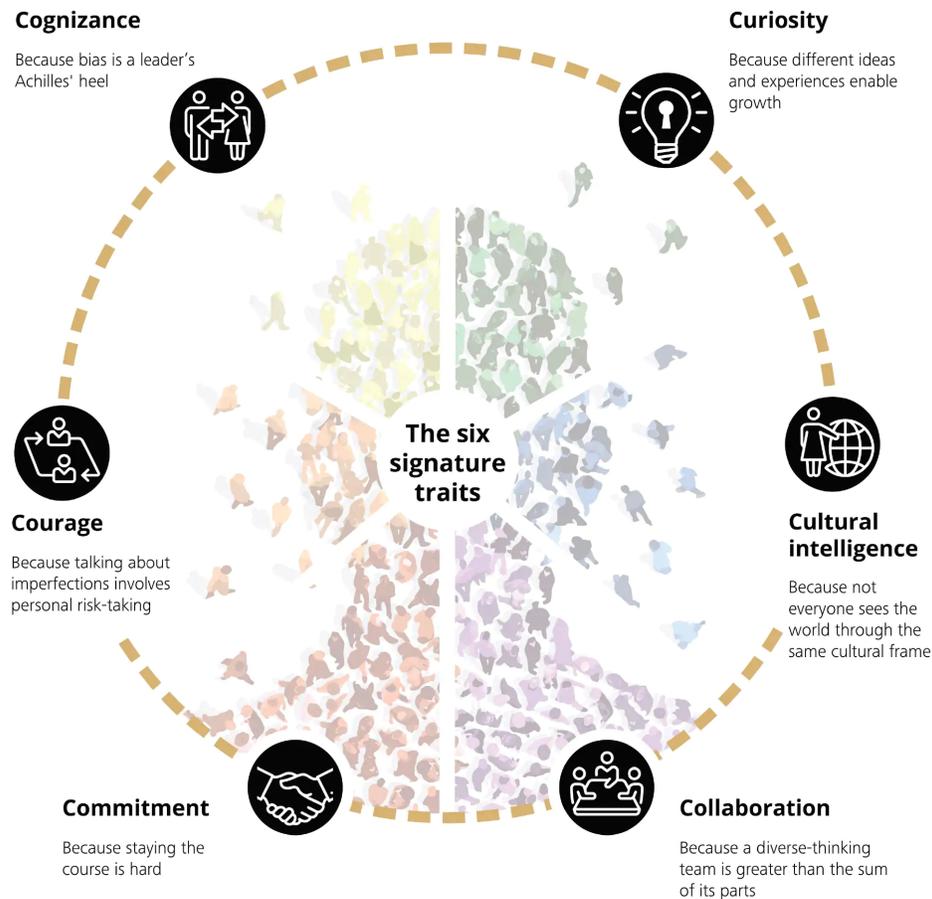
4. Middle managers matter

“Ah, the middle managers conundrum,” the authors of a 2007 research paper wrote. “The grassroots are energized, the executives have seen the light, and the top-down and bottom-up momentum comes to a screeching halt right in the middle girth of most organizations.” ²⁶

This may sound harsh, but in the context of diversity and inclusion, middle management is a historically underserved group. While many executives have been afforded time to learn, reflect, and debate, mid-level managers are often given directives. A change-management

process that leaves questions unaddressed results in managers feeling unable to move forward.

FIGURE 5 | The six signature traits of an inclusive leader



Deloitte Insights | deloitte.com/insights

<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig5.png>

To say this is problematic is an understatement. While change needs to be driven from the top, the middle manager cohort is vital to the success of an organization's diversity and inclusion strategy. As Jonathan Byrne of MIT observes, "Regardless of what high-potential initiative the CEO chooses for the company, the middle management

team’s performance will determine whether it is a success or a failure.” ²⁷

Clearly, organizations should engage middle managers. But when they do, they should also stop treating middle managers as if they are a single mass. Deloitte’s research identified six distinct archetypes, or “personas,” that individuals tasked with implementing change need to engage with and understand. These personas range from those who are deeply committed to those who can act as saboteurs (figure 6). Against that backdrop, one size will not fit all with respect to the way that information is delivered, experiences shaped, and boundaries set.

FIGURE 6 | Deloitte’s six personas of strategic change as applied to diversity and inclusion



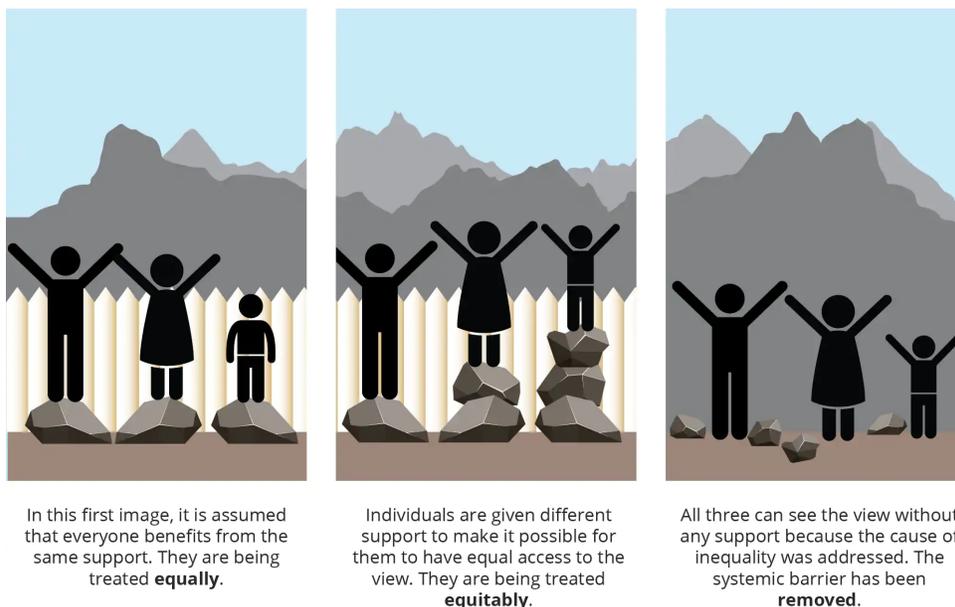
<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig6.png>

Senior leaders can influence middle managers in a variety of ways, including:

- 1 Using storytelling to help move people emotionally and engage them on the purpose of the D&I agenda. For example, senior leaders could share their personal stories of commitment.

- 2 Addressing myths and misconceptions by ensuring that middle managers understand the fundamentals—for example, by communicating the difference between equality and equity (figure 7). ²⁸
- 3 Having open conversations to enable questions and concerns to be surfaced. Senior leaders should enter these conversations with curiosity and courage—two of the trademark characteristics of highly inclusive leaders.
- 4 Exposing middle managers to influential role models and other powerful experiences, such as putting them on high-performing, diverse teams; presenting them with counter-stereotypic examples; offering them mentoring opportunities; and giving them experiences that put them in the minority. These tactics should help managers walk in someone else’s shoes and enable perspective-taking.
- 5 Making tough decisions when needed to ensure that the organizations’ values are upheld. Inclusion is not a euphemism for “anything goes.”

FIGURE 7 | Equality vs. equity in the short and long term

Deloitte Insights | deloitte.com/insights

<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig7.png>

5. Rewire the system to rewire behaviors

Training is the most popular solution to increase workforce diversity. Research shows that nearly one-half of the midsize companies in the United States mandate diversity training, as do nearly all the *Fortune* 500. ²⁹ Not surprisingly, the effectiveness of diversity training has come under scrutiny, with some claiming a positive impact (increased diversity representation), while others are dismissive (citing backlash and even activation of stereotypes).

Diversity training programs come in many shapes and sizes: educational vs. experiential, voluntary vs. mandatory, inspirational vs. shaming. At its best (voluntary, experiential, inspiring, and practical), training raises awareness, surfaces previously unspoken beliefs, and

creates a shared language to discuss diversity and inclusion on a day-to-day basis. These objectives are a positive and important first step in the change journey.

However, when it comes to behavior change, training is often only a scene-setter. The more complete story is that, to change people's behavior organizations need to adjust the system.

Why? First, biases can only be reduced rather than completely eliminated, and it is difficult to control biases that are unconscious. Second, biases can be embedded into the system of work itself, causing suboptimal diversity outcomes. Strategies to rewire the system make it easier to tackle biases and create a more comprehensive and sustainable solution. ³⁰

There are four steps to system rewiring:

- 1 *Using data to pinpoint leaks in the talent lifecycle.* To do this, organizations can look at the profile of their employees from recruitment to retirement, coupled with data on inclusion experiences.
- 2 *Identifying and remodeling vulnerable moments along the talent lifecycle.* These are points within specific talent processes where decision-makers are more susceptible to bias: for example, when decisions are discretionary and not subject to review.
- 3 *Introducing positive behavioral nudges, such as altering the default setting .* In 2013, telecommunications firm Telstra introduced “All Roles Flex,” which made flexibility the starting point for all jobs rather than a special arrangement for some. ³¹

4 *Tracking the impact* . Periodically review diversity and inclusion data to assess the effectiveness of changes made.

When the BMO Financial Group, ³² one of the 10 largest banks in North America, introduced an initiative based on these steps along with a communications and education campaign, it achieved significant impact. First, a record 83.5 percent of people managers voluntarily completed the initiative's learning module within the first few months of its launch, signifying the program's value. Second, there was an unprecedented year-over-year increase in employees' perceptions of inclusion (+2 percent) and of having a "voice" at work (+2 percent). In addition, the hiring rates of minority group candidates increased by 3 percent in 12 months.

The truth is, rewiring the system is equally, if not more, important than retraining behaviors.

6. Tangible goals make ambitions real

When it comes to diversity and inclusion, nothing ignites greater debate than goals, targets, and quotas. ³³ On the one hand, the setting of specific diversity goals has been found to be one of the most effective methods for increasing the representation of women and other minority groups. On the other hand, contentious arguments about targets vs. quotas, accusations of reverse discrimination, and fears of incentivizing the wrong behaviors have arisen around goal-setting efforts.

Our view is that tangible goals *are* important. (By goals, we mean measurable objectives set by an organization at its own discretion, ³⁴ as distinct from dogmatic quotas.) However, their impact is tied to four

conditions: *communication* , *coverage* , *accountability* , and *reinforcement* .

First, leaders should be capable of communicating confidently about what tangible goals do *and do not* mean. As Andrew Stevens, former managing director of IBM Australia and New Zealand, observes: “[Goals] don’t guarantee a woman a job or promotion. What they do is to increase the probability that a talented woman will be considered alongside a talented man.” ³⁵ This is done by prompting decision-makers to cast a wider search for candidates beyond their default comfort pool of talent.

Second, tangible goals should incorporate measures of inclusion, not just diversity. If diversity is the only metric, the organization misses half the story. Leading organizations know this. The financial firm Westpac, for example, not only measures diversity outcomes, but also uses the annual employee survey to test whether individual “people leaders” are committed to the creation of a diverse-thinking workplace. ³⁶ In the United States, facilities and food management firm Sodexo includes a diversity and inclusion competency in its performance management process, and 40 percent of a manager’s scorecard is devoted to inclusive behaviors. ³⁷

Third, tangible goals can only work when key decision-makers are accountable. By taking accountability for goals, leaders signal the importance of diversity and inclusion as a business priority and help focus people’s attention.

There has been an overemphasis on diversity, and an underemphasis on inclusion, as well as on the broader ecosystem

of accountability, recognition, and rewards. The truth is, without appropriately crafted tangible goals, ambitions are merely ephemeral wishes.

Finally, tangible goals are most effective when combined with broader acts of recognition and reward. This powerful truth sits behind the success of global initiatives such as MARC (Men Advocating Real Change), ³⁸ the 30% Club, ³⁹ the CEO Action for Diversity & Inclusion, ⁴⁰ and MCC (Male Champions of Change) ⁴¹ —each of which implicitly recognizes the seniority and influence of its members. Conversely, there is embarrassment when leaders are called out for their organization's poor diversity and inclusion track record.

Our view is that tangible goals have often been bluntly crafted and poorly communicated. There has been an overemphasis on diversity and an underemphasis on inclusion, as well as on the broader ecosystem of accountability, recognition, and rewards. The truth is, without appropriately crafted tangible goals, ambitions are merely ephemeral wishes.

7. Match the inside and the outside

In 2015, Samsung launched its “Hearing Hands” commercial. Built around a day in the life of Muharrem, a hearing-impaired man, it revealed a new world in which Muharrem's neighbors engage with him for the first time in sign language, allowing him to feel much more connected to his community. ⁴² In 2017, TV2 Denmark launched its “All that we share” ⁴³ campaign with a commercial that starts with the physical separation of people into line-drawn boxes based on stereotypical differences, and ends with a single larger group who now

understands their shared points of commonality. That same year, Nike ran a commercial entitled “Equality,” which promoted the message that if diverse athletes can be equal on the playing field, they “can be equal anywhere” because “worth outshines color.” ⁴⁴

Each of these commercials went viral: 19 million views for Samsung, 4.5 million views for TV2 Denmark, and 5 million views for Nike. The question of why they were like cups of water spilled on dry earth underscores two compelling points.

First, customer diversity and inclusion have often been largely overlooked, with the lion’s share of attention devoted to employee diversity. And when customer segmentation is considered, it is more in terms of a customer’s financial profile than who customers are as people. As a consequence, services and products often reflect a stereotypical view of the customer. Lloyds Banking Group’s 2016 review of British advertising found that many minority groups were underrepresented in advertising, and only 47 percent felt that they were accurately portrayed. ⁴⁵ Similarly, Deloitte research from 2017 revealed that up to 1 in 2 customers from minority groups ⁴⁶ felt that their customer needs were often unmet over the past 12 months. ⁴⁷

Second, customers are becoming, and starting to lean into, a sense of empowerment; they communicate what they stand for with their wallets and social media shares, and messages of equality have a pervasive appeal. Deloitte’s 2017 research found that up to one-half of customers had been influenced to make a purchasing decision in the past 12 months because of an organization’s support for equality—whether around issues of marriage equality, gender, disability, age, or culture.

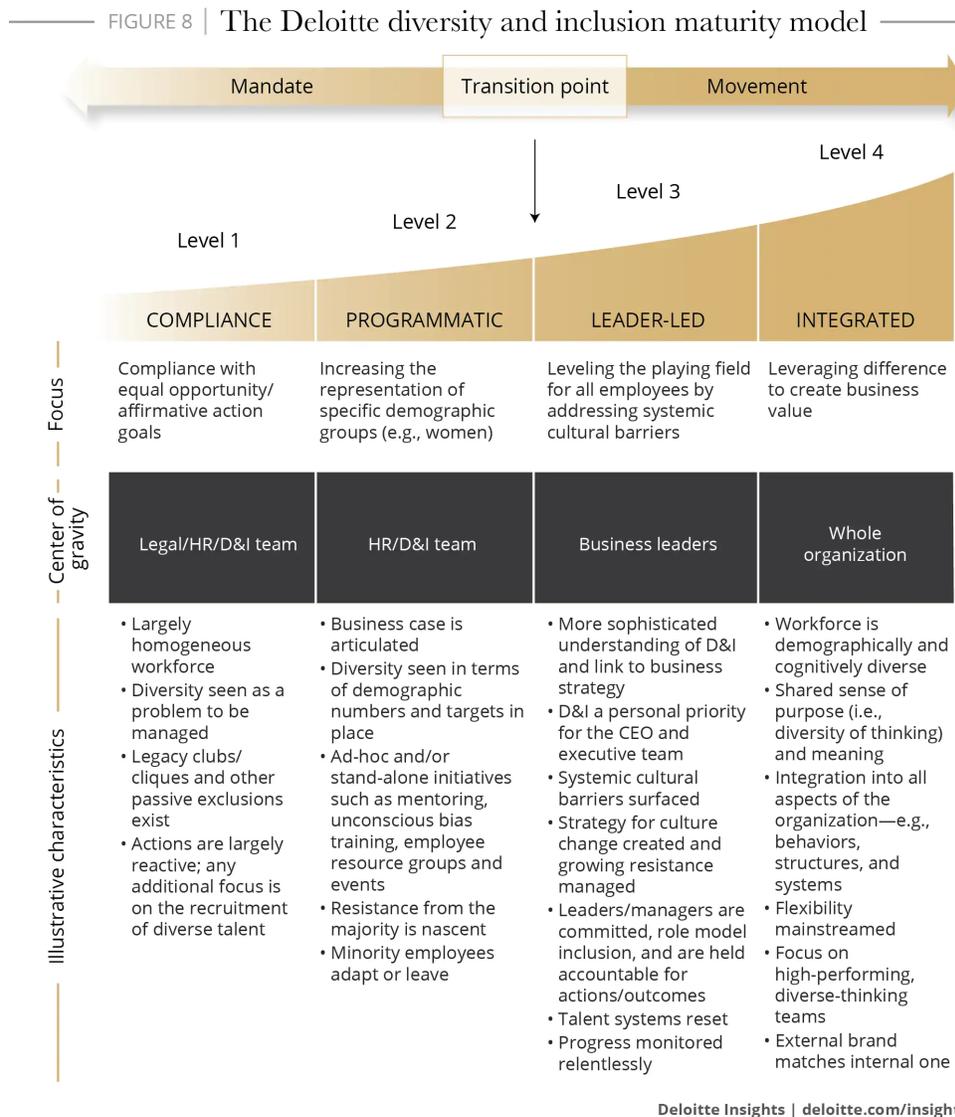
The purchasers did not come only from the groups directly targeted by the message (such as the hearing-impaired in the Samsung campaign); they included anyone who felt that the message of equality had spoken to their personal values.

The truth is that while many organizations have prioritized workplace diversity over customer diversity, both are equally important to business success. Moreover, customers are often more ready to support diversity and inclusion than organizations perhaps realize. But a word of caution: This is not about vacuous marketing. Commercials that lack authenticity will be shamed by the very customers they seek to attract.

8. Perform a culture reset, not a tick-the-box program

Our final truth is the most sweeping and underpins all seven truths above: *Most organizations will need to transform their cultures to become fully inclusive*. While an overwhelming majority of organizations (71 percent) aspire to have an “inclusive” culture in the future, survey results have found that actual maturity levels are very low. ⁴⁸

What prevents the translation of these intentions into meaningful progress? Our experience suggests that organizations frequently underestimate the depth of the change required, adopting a compliance-oriented or programmatic approach to diversity and inclusion. ⁴⁹ For most organizations, change requires a culture reset.



<https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/figures/4209_fig8.png>

This is no simple task. Cultural change is challenging irrespective of the objective, but it is perhaps even more so when the objective is an inclusive culture. Resistance is common: Those who are currently successful are likely to believe the system is based on merit, ⁵⁰ and change to the status quo feels threatening. Consequently, change toward greater inclusion probably requires more effort than many other business priorities. And yet it usually receives much less.

Workplaces have emerged as a venue in which these disparate pressures have manifested and become much discussed. Caught in the middle, workplace leaders around the world tell us that they feel ill-equipped to navigate these swirling waters.

So what does the path to an inclusive culture look like?

Deloitte research identifies four levels of diversity and inclusion maturity: (1) compliance, (2) programmatic, (3) leader-led, and (4) integrated (figure 8). ⁵¹ Level 1 is predicated on the belief that diversity is a problem to be managed, with actions generally a consequence of external mandates or undertaken as a response to complaints. At level 2, the value of diversity starts to be recognized, with this stage often characterized by grassroots initiatives (such as employee resource groups), a calendar of events, and other HR-led activities (such as mentoring or unconscious bias training). At levels 1 and 2, progress beyond awareness-raising is typically limited.

More substantial cultural change begins at level 3—a true transition point—when the CEO and other influential business leaders step up, challenge the status quo, and address barriers to inclusion. By role-modeling inclusive behaviors and aligning and adapting organizational systems (for example, by tying rewards and recognition to inclusive behavior), they create the conditions that influence employee behaviors and mind-sets. Communications are transparent, visible, and reinforced. And at level 4, diversity and inclusion are fully integrated into employee and other business processes such as innovation, customer experience, and workplace design.

The truth is, significant change will not happen until organizations go beyond tick-the-box programs and invest the appropriate level of effort and resourcing in creating diverse and inclusive cultures.

Eight powerful truths, seven powerful actions

To borrow from Charles Dickens, ⁵² this is the best of times and the worst of times to be advocating for diversity and inclusion. On the one hand, there is a groundswell of global energy directed toward the creation of workplaces that are more inclusive: 38 percent of leaders now report that the CEO is the primary sponsor of the diversity and inclusion agenda, ⁵³ and the formation of global initiatives speaks to the importance of these issues for the broader business community. On the other hand, some communities have become mired in divisive debates about equality (for instance, around issues related to sexuality, race, and religion).

Workplaces have emerged as a venue in which these disparate pressures have manifested and become much discussed. Caught in the middle, workplace leaders around the world tell us that they feel ill-equipped to navigate these swirling waters. Believing in the business case, but feeling time-poor and uncertain, leaders question what to say (and what not to say) as well as what to do (and what not to do).

To address these eight powerful truths, we propose seven powerful actions:

- 1 Recognize that progress will take a culture reset
- 2 Create shared purpose and meaning by broadening the narrative to diversity of thinking and inclusion

- 3 Build inclusive leadership capabilities
- 4 Take middle managers on the journey
- 5 Nudge behavior change by rewiring processes and practices
- 6 Strengthen accountability, recognition, and rewards
- 7 Pay attention to diverse employees and customers

The truths we have presented challenge current practices, which are heavily weighted toward diversity metrics, events, and training. Our view is that the end goal should be redefined, cultures reset, and behaviors reshaped. Leaders should step up and own that change. Embracing these truths will help deliver the outcomes that exemplars have experienced. It will deliver the promised revolution.

Authors

Juliet Bourke is a partner in Deloitte Human Capital and leads the diversity and inclusion consulting practice in Australia. She is based in Sydney.

Bernadette Dillon is a director in Deloitte Human Capital. She is based in London, United Kingdom.

Topics in this article

[Deloitte Review](#) , [Diversity](#) , [Talent](#)

Endnotes

- 1 Based on data from the SCE.Qantas, *Shaping our future: Qantas annual report 2014* , 2014.
- 2 R. Gluyas, "Alan Joyce pay soars as happy days return to Qantas," *The Australian* , September 16, 2017.
- 3 Qantas, *Qantas annual report 2017: Positioning for sustainability and growth* , 2017.
- 4 Qantas, *Qantas Investor Day 2017* , May 5, 2017, p. 6.
- 5 Awarded by AirlineRatings.com. See Sinead Pearson, "Airline safety: World's safest airlines named in annual airline safety rankings for 2017," *Traveller*, January 6, 2017.
- 6 Qantas, *Qantas Investor Day 2017* , May 5, 2017, p. 63.
- 7 Awarded by Randstad. See Randstad, "Qantas named most attractive employer in Australia, with aviation named top sector," May 5, 2017.

-
- 8 Qantas, *Qantas annual report 2017*, 2017; Terence Duffy, “Why Qantas shares have been one of the best performers this year,” *MoneyMorning*, June 8, 2017.
-
- 9 Jackson Hewett, “Alan Joyce says management diversity was key to getting Qantas through turbulent times,” *The Australian*, March 4, 2016.
-
- 10 Alan Joyce, presentation at Deloitte Australia partners’ meeting, 2017.
-
- 11 Hewett, “Alan Joyce says management diversity was key to getting Qantas through turbulent times.”
-
- 12 Juliet Bourke, Stacia Sherman Garr, Ardie van Berkel, and Jungle Wong, “Diversity and inclusion: The reality gap,” in *Rewriting the rules for the Digital Age: Deloitte 2017 Global Human Capital Trends*, pp. 107–118.
-
- 13 Juliet Bourke and Bernadette Dillon, *Only skin deep? Re-examining the business case for diversity*, Deloitte, 2011; Juliet Bourke and Bernadette Dillon, *Waiter, is that inclusion in my soup? A new recipe to improve business performance*, Deloitte and the Victorian Equal Opportunity and Human Rights Commission, 2012; Juliet Bourke and Bernadette Dillon, *Fast forward: Living in a brave new world of diversity*, Chartered Accountants Australia and New Zealand, 2015; Juliet Bourke, *Which Two Heads Are Better Than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions* (Australian Institute of Company Directors, 2016); Juliet Bourke and Bernadette Dillon, *The six signature traits of inclusive leadership: Thriving in a diverse new world*, Deloitte University Press, April 14, 2016; Juliet Bourke et al., *Research summary: Toward gender parity: Women on Boards initiative*, Deloitte, 2016; Juliet Bourke et al., *Missing out: The business case for customer diversity*, Deloitte and the Australian Human Rights Commission, 2017.
-
- 14 *Deloitte Review*, along with the current article, is an independent publication and has not been authorized, sponsored, or otherwise approved by Apple Inc.
-
- 15 Apple Inc., “Open,” accessed October 3, 2017.
-
- 16 Bourke, *Which Two Heads Are Better Than One?* See also Juliet Bourke, “How to be smarter and make better choices,” filmed 2016 at TEDxSouthBank, Brisbane, Australia, video, 13:07, April 25, 2016.
-
- 17 Deloitte Australia’s research shows that personality styles—e.g., introversion and extraversion—are not linked to cognitive diversity.
-
- 18 Bourke, *Which Two Heads Are Better Than One?*
-
- 19 W. Sean Kelly and Christie Smith, *What if the road to inclusion were really an intersection?*, Deloitte University Press, December 11, 2014.
-
- 20 Bourke, *Which Two Heads are Better than One?*
-
- 21 Bersin by Deloitte, *High-impact diversity and inclusion: The new maturity model*, 2017; Bourke and Dillon, *Waiter, is that inclusion in my soup?*, 2012.
-
- 22 Findings from Deloitte Australia’s analysis of inclusion measures (fairness and respect, value and belonging, inspiration, and confidence) based on a survey of 4,100 respondents in four organizations. With respect to managers, 72 percent of the most included employees (the top 25 percent of scorers on overall inclusion) reported high levels of inclusive manager behaviors, compared to just 2 percent of the least included (the bottom 25 percent). With respect to senior leaders, 72 percent of the most included quartile of employees reported high levels of inclusive senior leadership, compared to just 2 percent of the least included quartile.
-
- 23 For example, Deloitte Australia’s research shows that inclusive leaders have a stronger effect on women’s feelings of inclusion in male-dominated workplaces, on LGBTI (lesbian, gay, bisexual, transgender, and intersex) employees in heterosexual-dominated workplaces, and on people who solve problems with a more people-oriented approach in an outcome-dominated workplace.
-
- 24 Based on Deloitte Australia’s analysis of 105 leaders as assessed by 600 raters against the six signature traits of inclusive leadership and performance outcomes.
-
- 25 Bourke and Dillon, *The six signature traits of inclusive leadership*.
-
- 26 Conference Board Business Diversity Council, “Middle managers: Engaging and enrolling the biggest roadblock to diversity and inclusion,” The Conference Board, April 2007.
-

- 27 Jonathan Byrnes, “Middle management excellence,” Harvard Business School Working Knowledge series, December 5, 2005.
- 28 Variants of this graphic are frequently cited as a powerful concept. At the time of print, the creator remains unknown to Deloitte.
- 29 Frank Dobbin and Alexandra Kalev, “Why diversity programs fail,” *Harvard Business Review*, July–August 2016.
- 30 Iris Bohnet, *What Works: Gender Equality by Design* (Harvard University Press, 2016); Iris Bohnet and Jeni Klugman, *Behavioural insights and gender equality*, VicHealth Promotion Foundation, Melbourne, Australia, May 1, 2017.
- 31 David Thodey, “Accelerating change for women: An open conversation,” *Telstra Exchange*, November 3, 2013.
- 32 Bourke, Garr, van Berkel, and Wong, “Diversity and inclusion: The reality gap,” pp. 111–112.
- 33 Rachel Feintzeig, “More companies say targets are the key to diversity,” *Wall Street Journal*, September 30, 2015.
- 34 Australian Workplace Gender Equality Agency, *Targets and quotas*, 2016.
- 35 Male Champions of Change, *Our experiences in elevating the representation of women in leadership*, 2011.
- 36 Sam Turner, head of diversity and inclusion, Westpac Group, personal communication to Juliet Bourke, October 3, 2017.
- 37 Dr. Rohini Anand, senior vice president, corporate responsibility and global chief diversity officer, Sodexo, personal communication to Juliet Bourke, October 13, 2017.
- 38 Men Advocating Real Change, “About MARC,” accessed December 4, 2017.
- 39 30% Club website, accessed December 4, 2017.
- 40 CEO Action for Diversity and Inclusion website, accessed December 4, 2017.
- 41 Male Champions of Change, “About the Male Champions of Change,” accessed December 4, 2017.
- 42 DigitalSynopsis.com, “Hearing Hands - Touching Ad By Samsung,” video, 2:45, March 3, 2015.
- 43 TV2Danmark, “TV 2 | All That We Share,” video, 3:00, January 27, 2017.
- 44 Ross Kohan, “Check out Nike’s new ‘Equality’ commercial,” video, 1:31, February 13, 2017.
- 45 Lloyds Banking Group, *Reflecting modern Britain? A study into inclusion and diversity in advertising*, 2016.
- 46 Defined as people belonging to a noticeable faith, LGBTI people, or people with a disability.
- 47 Juliet Bourke et al., *Missing out: The business case for customer diversity*, 2017, p. 28.
- 48 Bersin by Deloitte, *High-impact diversity and inclusion*, 2017.
- 49 Bersin by Deloitte found that 42 percent of organizations are at level 1 maturity (compliance-focused maturity), and 31 percent of organizations were at level 2 maturity (programmatic). Bersin by Deloitte, *High-impact diversity and inclusion*, 2017.
- 50 Australia Male Champions of Change and Chief Executive Women, *In the eye of the beholder: Avoiding the merit trap*, 2016.
- 51 Bersin by Deloitte, *High-impact diversity and inclusion*, 2017.
- 52 Charles Dickens, *A Tale of Two Cities* (Chapman & Hall, 1859).
- 53 Bourke, Garr, van Berkel, and Wong, “Diversity and inclusion: The reality gap,” p. 107.

© 2018. See [Terms of Use](https://www2.deloitte.com/insights/us/en/legal/terms-of-use.html) <<https://www2.deloitte.com/insights/us/en/legal/terms-of-use.html>> for more information.



BOLD AND INCLUSIVE LEADERSHIP: THE TIME IS NOW

WRITTEN BY: SUZANNE RICHARDS, DIRECTOR OF RESEARCH, WORKING MOTHER MEDIA
AND DEBORAH MUNSTER, EXECUTIVE DIRECTOR, DIVERSITY BEST PRACTICES
EDITED BY: JENNIFER LONDON, CONTENT DIRECTOR, DIVERSITY BEST PRACTICES



Our communities are being destroyed by racial tension, and we're too polite to talk about it.

Tolerance is for cowards. Being tolerant requires nothing from you but to be quiet and not make waves."

—AT&T CEO Randall Stephenson

INTRODUCTION

To accrue the dividends that diversity and inclusion (D&I) has the potential to produce, bold and inclusive leadership is required both on an individual and a systemic, organization-wide level. In its 2016 benchmarking report, Diversity Best Practices (DBP) notes a disconcerting gap between CEO commitment and accountability. While 88 percent of CEOs have a thoughtful and convincing D&I mission/vision, can articulately state their business case and have action plans in place, diversity and inclusion progress has been minimal and slow growing. Only 24 percent of these CEOs have organization-wide performance objectives tied to D&I, and fewer than 30 percent tie D&I performance to compensation. Only 39 percent require their direct leadership team to report on D&I metrics. These leaders, clearly in the minority, have made the commitment to take the extra measures necessary to drive diversity and inclusion systemically throughout their organizations. What drives these leaders to do what most haven't? What distinguishes leaders who have the best and right intentions from those who have the best and right intentions *and also* boldly drive systemic cultural change? Or more plainly stated, what differentiates those who check the box from those who authentically engage and drive change?



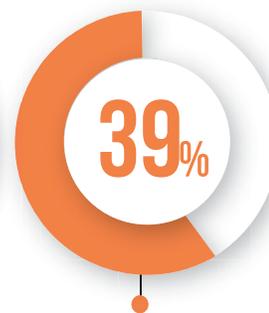
CEOs have a thoughtful and convincing D&I mission/vision, can articulately state their business case and have action plans in place for diversity and inclusion.



CEOs have organization-wide performance objectives tied to D&I.



CEOs tie D&I performance to compensation.



CEOs require direct leadership team to report on D&I metrics.

IT IS NO LONGER A QUESTION OF “IF” DIVERSITY AND INCLUSION HAS A POSITIVE INFLUENCE ON THE BOTTOM LINE OF BUSINESS. NOW THE QUESTIONS ARE “HOW PROFOUND COULD THAT INFLUENCE ACTUALLY BE?” AND “ARE YOU WILLING TO COMMIT AND DIFFERENTIATE YOURSELF?”

It is no longer a question of “if” diversity and inclusion has a positive influence on the bottom line of business. Now the questions are “How profound could that influence actually be?” and “Are you willing to commit and differentiate yourself?” In the *Why Diversity Matters* research published in 2015, McKinsey calls diversity a dividend and a competitive differentiator that shifts market share toward more diverse companies over time: “More diverse companies are able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns.” In

recent, first-of-its-kind research done on nearly 170 tech companies by Intel and Dalberg Global Development Advisors, *Decoding Diversity: The Financial and Economic Returns to Diversity in Tech*, it is estimated that improving ethnic and gender diversity in the tech workforce could add 1.2–1.6 percent to national GDP (read \$470–\$570B). And that’s just the tech industry!

DBP member Sodexo issued a 2016 D&I report stating \$19 of ROI to every \$1 spent on D&I initiatives. Further, it reported that its businesses with 40–60 percent gender diversity achieved higher key performance indicator results than those without gender diversity. Gender-diverse teams achieved higher results across engagement, client retention, higher profit and growth for three consecutive years.

We are still talking about the correlative relationship between diversity and productivity, but we’ve long passed the point of questioning whether or not these results are meaningful. Nonetheless, many companies and leaders continue to question the value of a diverse workforce (and the inclusive envi-

THE BUSINESS CASE FOR INCLUSIVE LEADERSHIP

An insightful piece recently published by the Korn Ferry Institute outlines a compelling business case why inclusive leaders will drive organizational growth in the twenty-first century:

Biggest leadership challenge:

CREATE GROWTH.

To have growth,
YOU NEED TO DIFFERENTIATE.

To differentiate,
YOU NEED TO INNOVATE.

To innovate,
YOU NEED DIVERSITY.

To activate the diversity,
YOU NEED INCLUSION.

To manage all this,
YOU NEED INCLUSIVE LEADERSHIP.

SIX SIGNATURE TRAITS OF INCLUSIVE LEADERS

In a powerful example of practitioners leading the way in the identification of traits of inclusive leadership, Deloitte, in *The Six Signature Traits of Inclusive Leadership: Thriving in a Diverse New World*, identified the following:



ronment in which it can thrive), even when considering the complex, connected and demographically diverse world we are living in. We have only started to understand the price we are paying for ignoring resources and untapped talent.

So, if we know all of this, why don't we treat diversity and inclusion like a priority on par with other parts of the business? The true issue is not that we don't know what to do, but that many lack the will and courage to act on what we do know. The perception is that in the short term there is too much at stake: quarterly profit margins, overnight brand success and reputational risk, for example. It is longer term, however, that the profound, positive impact of diversity and inclusion will be felt, and we can't afford to sacrifice long-term prosperity by focusing on next quarter.

We are already in a brave new world where the meaning of "leadership" has been turned on its head. Leadership theories such as the Great Man Theory (with its image of the "captains of industry"), Constituency Theory and Transformational Theory still take the top-down view that no longer completely resonates in today's workplace. What is required now is leadership from the inside out, starting at the authentic heart of the leader and emanating out to actively engage and motivate employees. It is bold and inclusive leadership, the kind whose source executives and HR practitioners and academics are struggling to identify—either characteristics inherent in the individual or behaviors that can be trained with advanced adult learning techniques. Right now the HR practitioners appear to have the edge; an exciting new body of work defining the inclusive leader is emerging, and with significant impact.

In this Insight Paper,

Diversity Best Practices shares our belief that these critical differentiators define bold and inclusive leaders:

1. A deeply personal and authentic commitment that encourages risk-taking.
2. Self-awareness and alignment of an espoused external message with internal inclusion culture.
3. Willingness and courage to hold themselves and their teams accountable to inclusion objectives.

Diversity Best Practices believes that these critical differentiators define bold and inclusive leaders

01

A deeply personal and authentic commitment that encourages risk-taking.

Self-awareness and alignment of an espoused external message with internal inclusion culture.

02

03

Willingness and courage to hold themselves and their teams accountable to inclusion objectives.

A DEEPLY PERSONAL COMMITMENT

The true heart of inclusive leadership is how we experience most things that matter deeply to us—taking it personally. Within an organization, maintaining deeply held beliefs may require an uncomfortable level of authenticity and risk-taking. Inclusive leaders are those who are committed personally to diversity and inclusion, and exhibit the qualities of courage, passion and perseverance, and the communication and influencing skills, to make it resonate throughout the organization. In a 2014 Harvard Business Review article, “Great Leaders Who Make the Mix Work,” 24 CEOs agreed that inclusivity was a personal mission. “They believed it was a business imperative because their companies needed it to stay competitive, and they believed it was a moral imperative because of their personal experiences and values.”

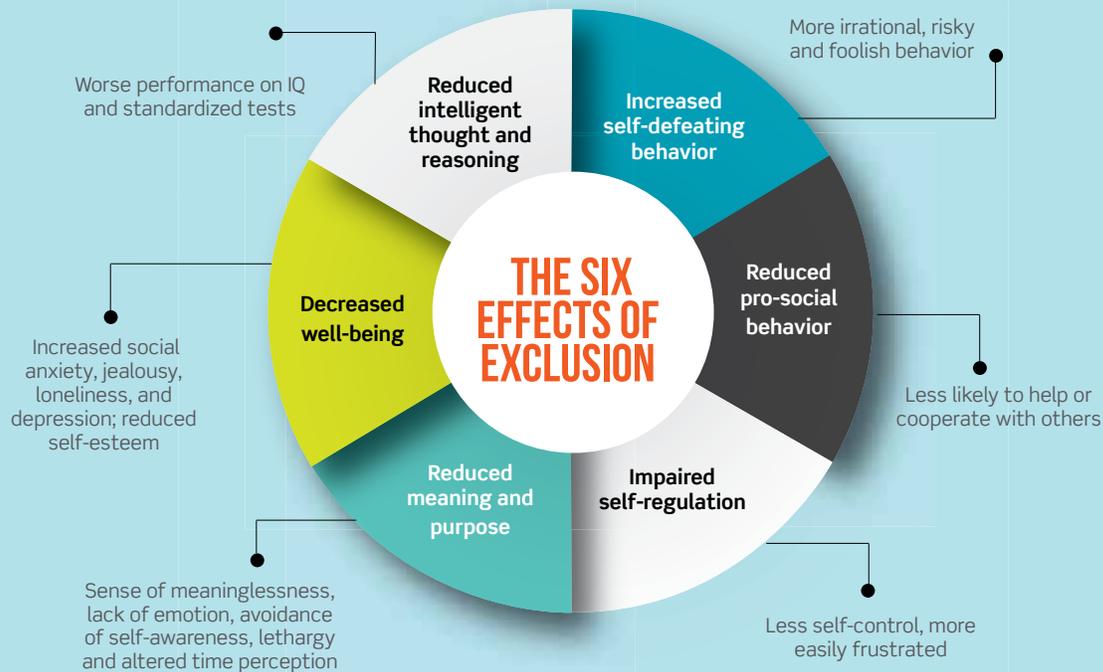
Coupling the personal qualities of courage, passion and perseverance with influencing skills is a powerful recipe for an inclusive leader, one recognized by numerous thought leaders. The Korn Ferry Institute’s first two steps for action on the path to inclusive leadership are (1) openness and awareness and (2) effective advocacy for diversity. (The remaining three are trusting, open teams; diversity, greater adaptability; and driving results.) A leader with a strong personal

DO WE HAVE INCLUSION ALL WRONG?

Recent groundbreaking research done by Dr. Heidi Grant of the NeuroLeadership Institute draws powerful conclusions about feelings of inclusion and exclusion. A conscious focus on inclusion presupposes the acknowledgment of difference.

And it is important to recognize the unintended consequences of focusing on difference. If we are actively focused on inclusion, because brains are biased toward threat detection, we are probably accidentally implying exclusion.

According to this research, feelings of exclusion, identified as pain by the brain, have six effects.



commitment to diversity and inclusion, and the courage to execute on that commitment, will support and drive proven best-practice diversity and inclusion policies, procedures and activities—thereby modeling D&I-champion behavior for the entire organization.

In an influential 2009 report, *Engaging Men in Gender Initiatives: What Change Agents Need to Know*, the Catalyst organization identified a strong sense of fair play as predictive of men's engagement in gender initiatives. Possessing this strong sense of fair play also comes to light in the work of neuroscientist Dr. David Rock in *Your Brain at Work: Strategies for Overcoming Distraction, Regaining Focus & Working Smarter All Day Long*. Indeed, Rock finds this deeply personal quality of perceived fairness a primary need, equivalent in importance to the innate human needs hierarchy developed by Abraham Maslow in the 1950s. The experience of perceived fairness (or conversely perceived unfairness) activates the same network in the brain that monitors pain and pleasure, according to Rock. A related concept is important in this context: perceptions of exclusion and inclusion are also experienced as pain or pleasure by the brain. The leader who practices a deeply personal brand of inclusivity motivated in part by a strong sense of fair play probably also possesses three habits that foster inclusion, according to work done by the NeuroLeadership Institute and Dr. Heidi Grant in 2017: (1) finding common ground, (2) lifting people up and (3) helping to create clarity.

BOLD AND INCLUSIVE LEADERSHIP AT U.S. BANK

Greg Cunningham, Vice President of Global Diversity & Inclusion at U.S. Bank, is new in the role of diversity and inclusion guru, but experienced in focusing on people and their stories, a talent he acquired by listening to customers for 15 years as the senior executive in marketing at Target.

He takes diversity and inclusion personally and is committed to building a corporate culture anchored with inclusivity as a state of mind. And he has plenty of help in the senior ranks of the company. Last summer, after being in the job for six weeks, Cunningham was summoned to the office of CEO Richard Davis. He was looking for counsel and advice from Cunningham about engaging employees after the recent shooting of black motorist Philando Castile during a traffic stop in St. Paul, MN. Davis strongly felt that his responsibility as CEO was to reach out to employees, not to solve a problem, but to show up differently as a leader.

As a result, Cunningham and his C-suite colleagues embarked on a cross-country tour to hold candid conversations and create a safe space where bank employees felt heard and validated as individuals as well as employees. According to Cunningham, a safe space or an inclusive state of mind is where demographic diversity thrives; and as inclusive leaders, the bank's leadership team is committed to creating that for all employees.

At U.S. Bank, the outside board activity of senior leaders is important—but not just any activity. Leaders are encouraged to sit on diverse boards of directors with inclusive environments, and acknowledged for doing so. This type of accountability at the top is an example of the bold, inclusive leadership expected at all levels.

AUTHENTICALLY ALIGNED INTERNAL AND EXTERNAL MESSAGING

After a personal commitment to diversity and inclusion, publicly acknowledged, the alignment of the external and internal is critical: a leader must walk the talk. Similar to any other major cultural change, it is inauthentic and damaging for a leader to externally present a commitment to diversity and inclusion that is not backed up by her personal brand and actions, as well as those of the organization she leads. A leader's ability to be cognizant of her own actions and behaviors, and of their impact on employees, stakeholders and her company, is a critical element to leading diversity and inclusion.

The ability for organizations to closely manage their external messaging, branding and PR is fleeting. The prominence and ubiquity of social media have enabled virtually all stakeholders to serve as powerful and influential advocates or critics. This new access can be either damaging or rewarding to a number of critical constituencies: employees (current and potential), suppliers and, most critical of all, customers. The speed and scalable reach alone can rocket an organization from hero to zero or vice versa. Several companies have been lauded for their public and bold issues; conversely, several companies have been the center of negative PR or brand reputation and even suffered loss of profit and/or customers as a result of their lack of D&I support.

A LEADER'S ABILITY TO BE COGNIZANT OF HER OWN ACTIONS AND BEHAVIORS, AND OF THEIR IMPACT ON EMPLOYEES, STAKEHOLDERS AND HER COMPANY, IS A CRITICAL ELEMENT TO LEADING DIVERSITY AND INCLUSION.

Another aspect of this was highlighted in a recent Huffington Post blog in which the author proposes that consumers of "big brands" are starting to expect them not only to provide quality products and services but to "do their bit for people and the planet. The difference is now that current employees and prospective candidates don't want these companies to be socially responsible—they want them to be social activists, too." In

particular, millennials (who are estimated to make up 75 percent of the workforce by 2030) have a strong penchant for social justice and are choosing employment based on factors such as social mission.

Crowdsourcing and social media apps are not only allowing anyone to find out from employees what it's truly like to work at organizations but also allowing any employee to post his or her employment experiences. Successfully maintaining an inclusive environment requires a complete round robin of transparency and accountability between leaders and employees, and customers and society at large. Organizations can no longer rely only on employee engagement surveys to get a pulse on employee culture. With platforms like included, Glassdoor and InHerSight, employees are going to share their feelings about where they work, positive or negative, to the world, and companies need to pay attention and, more importantly, take action to address the trends found in those comments.

ACCOUNTABILITY

After making a personal commitment and aligning the espoused value of diversity and inclusion with a robust strategy in which the organization is invested (i.e., walking the talk), the inclusive leader leverages her communication and influencing skills to hold herself and others accountable for success. Taking a page from Unilever's recipe for bold and inclusive leadership (see below), this means anchoring the diversity and inclusion strategy in metrics that are completely transparent and for which managers and leaders are held accountable—putting teeth in the familiar rubric “What gets measured gets done.”

BOLD AND INCLUSIVE LEADERSHIP AT UNILEVER

At Unilever, the personal journeys of VP of Human Resources for North America Mike Clementi and Director of Diversity Outreach and Inclusion Mita Mallick set the stage for their remarkable personal commitment to D&I, and their professional commitment to making a difference for the organization. A hardscrabble early life of frequent moves taught Clementi to value the help of others along the way. Now he is committed to being a helper himself. Mallick's

parents moved from Calcutta, India, to optimize the chance of success for their children, a circumstance for which Mallick is grateful to this day. She expresses that gratitude by leading boldly and inclusively in the D&I space at Unilever. Both executives used the same phrase to talk about the journey of transparency the company is on: what gets measured gets done. Because of the value placed on diverse teams, diversity targets are set, and the Unilever community is committed to achieving them. For the U.S. and Canada, the

company is gender balanced at the manager level and above. While this is clearly a great accomplishment, Unilever is not resting on its laurels, but working toward achieving appropriate representation for people of color as well. According to Clementi, the functional leadership team meets monthly to assess progress toward their stated goals. Because of the company's status as a premier consumer packaged goods company, feedback from the customer is critically important in setting

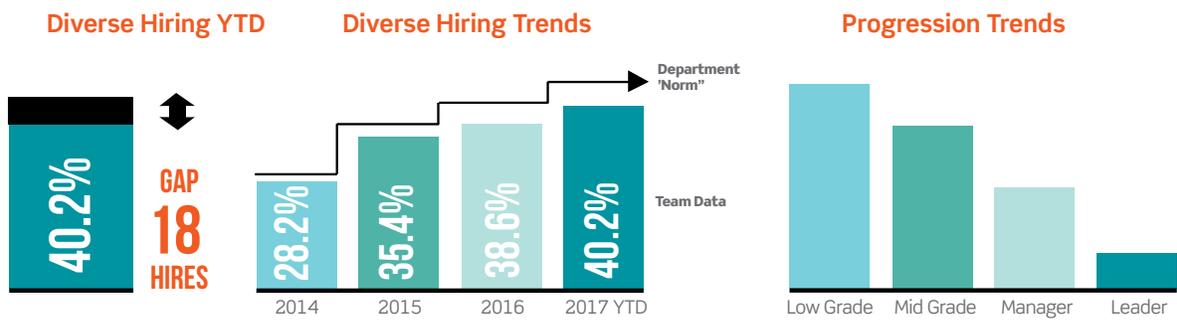
mission and strategy. The company takes equal care in listening to employees, and that means an inclusive workplace where every voice and every story matters. Their 10 (and growing) Business Resource Groups (BRGs) engage over 1,400 employees. GALvanize, the women's BRG, in particular, has been a catalyst for change by mobilizing women (and men) behind the gender balance transformation. The expectation is that BRGs will continue to lead the way in cultural transformation.

The tech industry nudged the door open on diversity metrics several years ago, and the result has been greater transparency about demographics across American business. A great example of this is Intel. Intel set a goal to reach full representation of women and underrepresented minorities in its U.S. workforce by 2020. It committed \$300M to accelerate diversity and inclusion more broadly—not just at Intel, but across the technology industry at large. Intel also holds every one of its 107,000 employees accountable to its diversity goals through a company-wide bonus program.

Unfortunately, transparency alone has not translated into moving the needle, particularly at more senior levels of the organization. The task of researching, setting and monitoring the achievement of goals and targets for improvements in the discrete number or percentage of women and people of color at different levels of an organization requires courage and perseverance—but it gets positive results, according to many DBP members. We are not talking about quotas, whose failure to achieve results is being penalized. The achievement of goals and targets only has a lasting impact within the context of an inclusive workplace. Demographic diversity without inclusion is not possible. Inclusive leaders know this to be true and inevitably work as hard at building and sustaining an inclusive culture as they do at recruiting diverse talent.

FOSTERING INCLUSION

MANAGER DASHBOARD EXAMPLE: HIGH-PERFORMING INCLUSIVE TEAMS



Global Diversity & Inclusion

NB: Illustrative Example 

Once an understanding of a company's diversity metrics is in place and appropriately benchmarked, then meaningful diversity and inclusion policies, procedures and activities can be undertaken to move the needle. And we know what these are. According to a 2016 article in the Harvard Business Review, many traditional diversity programs not only fail to have a positive impact but can damage inclusive cultures—primarily, mandatory diversity training programs, hiring/job testing and grievance systems. Much more effective are programs that apply three basic principles, all of which foster an inclusive workplace: “engage managers in solving problems, expose them to people from different groups, and encourage social accountability for change.”

CONCLUSION (AND RECOMMENDATIONS FOR ACTION)

It is not enough for leaders and companies to commit to bold and inclusive leadership, without committing to some concrete actions to back that commitment up. Here are our recommendations, based on our research and examples from leading companies, for both individual leaders and organizations that support them.

FOR THE INDIVIDUAL LEADER:

- 1. Find and fine-tune your own story.** Why are you passionate about diversity and inclusion? What legacy/brand do you want to leave with regard to inclusion? What steps can you take to drive your agenda?
- 2. Assess your “sphere of influence”** to understand where you can make the biggest difference in your organization and in the community. Bold and inclusive leadership can, and should, happen at all levels of an organization. We all have spheres of influence. Concentrating on those spheres can help you effect change and lead inclusively no matter where you sit in the organization.
- 3. Check your unconscious bias.** Understand what your biases are and work to mitigate and counter with acts of conscious inclusion. (For example: Who do you ask to collaborate with? Who do you ask for feedback? Who do you offer feedback to? How can you broaden your circle/reach?)
- 4. Talk to your manager about adding D&I performance objectives to your annual review.** Hold yourself and your leader accountable for furthering D&I.

FOR THE ORGANIZATION:

- 1. Hire and assess for cultural competency and for authenticity, courage and will.** Ask questions during the interview process that will enable insights into past and current behaviors, and get a sense of the candidate's awareness levels of the impact of those behaviors. Past and current behaviors can be strong predictors of future behavior. These are harder to train for, whereas other leadership skills can be developed more easily.
- 2. Set goals and measure achievement at every level of the organization.** Change and commitment must start from the top, cascading throughout the organization. Organization-wide D&I performance objectives are the broadest way to start. Each individual, team, business and function can further establish objectives to reinforce accountability and importance. Leadership teams who authentically advocate and require organization-wide D&I objectives yield better results.

3. Establish management accountability for progress versus goals.

Align goals to measure what needs to change (e.g., less about how many attended a recruitment fair/cultural event, and more about how many diverse candidates made it to final round/hire).

4. In addition to channels such as employee engagement surveys, **monitor crowdsourcing and social media sites** to understand what your constituents are saying and feeling. Engage your employee advocates to comment and post. Some companies enlist and train employees on recruiting and advocating via social media.

5. **Engage your stakeholders, including customers and suppliers**, to determine your strategy and accountability levels for social change, and share what you are doing. Aligning your stakeholders and your objectives makes for stronger buy-in and impact.

Key to supporting and driving inclusive leadership in an organization is ensuring that individuals are empowered and rewarded for inclusive leadership. As with the most successful cultural transformations, authentic advocacy and championship form a strong foundation for change. Bold and inclusive leadership is fundamental to driving that change. It is no longer a question of *if* those leaders and companies that exhibit bold and inclusive leadership will be richly rewarded, but *when*.

ADDITIONAL RESOURCES:

[Turbulent Times Call for Bold Action Resource Guide](#)

[Digging Deep: Tips and Tools for D&I Champions](#)

[Korn Ferry's Insight Paper: The Inclusive Leader](#)

[Deloitte's Presentation: Driving Inclusion Through Accountability](#)

[Intel's Presentation: Driving Organizational Change and Change Management Through Metrics](#)

REFERENCES FOR INSIGHT PAPER

Boesen, Ollie. 2017. *How Big Brands Can Become Powerful Social Activists*. Huffington Post blog. February 21.

Bourke, J., and B. and Dillon. 2016. *The Six Signature Traits of Inclusive Leadership: Thriving in a Diverse New World*. Deloitte University Press.

Catalyst. 2009. *Engaging Men in Gender Initiatives: What Change Agents Need to Know*.

Catalyst. 2014. *Inclusive Leadership: The View from Six Countries*.

Dalberg Global Development Advisors and Intel. 2016. *Decoding Diversity: The Financial and Economic Return to Diversity in Tech*.

Deloitte Development LLC. 2017. Diversity Best Practices Conference: Building Inclusive Leaders Through Accountability. February.

Dobbin, F., and A. Kalev. 2016. "Why Diversity Programs Fail." *Harvard Business Review*. July–August.

EY. 2014. *Male Leaders Making the Mix Work: To Mark International Women's Day 2014*.

Groysberg, B., and K. Connelly. 2013. "Great Leaders Who Make the Mix Work." *Harvard Business Review*. September.

Korn Ferry Institute. 2016. *The Inclusive Leader: Optimizing Diversity by Leveraging the Power of Inclusion*.

McGirt, E. 2016. "Top Diversity Exec Tells How He Creates a 'Safe Space' at Work." *Fortune*. September.

Cox, C., J. Davis, D. Rock, C. Inge, H. Grant, K. Sip, J. Grey, and L. Rock. 2016. "The Science of Inclusion: How We Can Leverage the Brain to Build Smarter Teams." *NeuroLeadership Journal* 6.

Rock, D. 2009. *Your Brain at Work: Strategies for Overcoming Distraction, Regaining Focus & Working Smarter All Day Long*. HarperCollins e-books, 2009.

Salib, E. 2014. "Are You an Inclusive Leader?" Catalyst blog.

DIVERSITY BEST PRACTICES

Diversity Best Practices, a division of Working Mother Media, is the preeminent organization for diversity executives and thought leaders to share best practices and develop innovative solutions for culture change.

Through research, benchmarking, publications and events, Diversity Best Practices offers members information and strategies on how to implement, grow, measure and create first-in-class diversity programs.

Diversity Best Practices' services help companies clarify opportunities and implications of their current diversity strategy, identify and enhance critical diversity leadership competencies, create and implement a system-wide focus on diversity and inclusion, and gain the executive-level support needed to ensure the company is successful.

In today's information-driven economy, diversity leaders need access to the most relevant knowledge available to execute successful diversity initiatives. Diversity Best Practices provides that knowledge.

Become a part of the Diversity Best Practices network today.

Visit diversitybestpractices.com for more information.

**SENIOR VICE PRESIDENT
& MANAGING DIRECTOR**

Subha V. Barry

CONTENT & ENGAGEMENT

CONTENT DIRECTOR

Jennifer London

**SR. DIRECTOR, GLOBAL
MEMBER ENGAGEMENT**

Carol Watson

**MEMBER RESEARCH
ANALYST**

Donnice Peterson

EXECUTIVE DIRECTOR

Deborah Tsai-Munster

**WORKING MOTHER
RESEARCH INSTITUTE**

DIRECTOR OF RESEARCH

Suzanne Richards

**DIRECTOR, EDITORIAL &
RESEARCH INITIATIVES**

Kristen Willoughby

EXECUTIVE RESEARCH EDITOR

Krista Carothers

**MEMBERSHIP
SERVICES**

VICE PRESIDENT

Joan Sheridan LaBarge

EXECUTIVE ACCOUNT DIRECTORS

Laquanda Murray

Jennifer Smyth

SENIOR ACCOUNT DIRECTORS

Peggy Beane

Katrina Crawford

Gale Hollingsworth

Alisa Nadler

**CONFERENCES &
EVENTS**

**VICE PRESIDENT/EXECUTIVE
DIRECTOR, CONFERENCES & EVENTS**

Janet Wigfield

SENIOR EVENTS PROGRAMMER

Jessica Kramer

**SENIOR DIRECTOR, CONFERENCE
OPERATIONS & LOGISTICS**

Jacqueline Tozzi la Brocca

EVENTS COORDINATOR

John Torrence

MARKETING

**GROUP DIRECTOR, MARKETING &
BRAND INTEGRATION**

Jessica Goldman

SENIOR MARKETING MANAGER

Amanda Gottlieb

ASSISTANT MARKETING MANAGER

Casey Russo

**SALES & MARKETING
COORDINATOR**

Amanda Pipich

CREATIVE SERVICES DIRECTOR

Helena You

ASSOCIATE BUSINESS MANAGER

Lauren Macri

WE ARE THE DBP TEAM

BONNIER

Corporation



DIVERSITY BEST PRACTICES

2 Park Avenue, New York, NY 10016 • 212.219.7470

• website: diversitybestpractices.com • linkedin: [linkedin.com/company/diversity-best-practices](https://www.linkedin.com/company/diversity-best-practices)
• facebook: [facebook.com/diversityBestPractices](https://www.facebook.com/diversityBestPractices) • twitter: [@DBP_News](https://twitter.com/DBP_News)

KORN FERRY
Institute

Talent Framework

The Inclusive Leader

**Optimizing diversity
by leveraging the
power of inclusion.**

www.kornferryinstitute.com

Inclusive leadership as a bottom-line, beneficial goal.

With inclusion, organizations can capture a competitive advantage from changing demographics across the workplace and in the marketplace. An organization with a reputation for inclusiveness becomes a magnet, attracting top talent.

Diversity by itself is not enough: Leadership in the 21st-century demands that executives and their organizations move beyond diversity alone to capture the potential that comes from inclusion. If diversity is “the mix,” then inclusion is making the mix work by leveraging the wealth of knowledge, insights, and perspectives in an open, trusting, and diverse workplace.

With inclusion, organizations can capture a competitive advantage from changing demographics across the workplace and in the marketplace. An organization with a reputation for inclusiveness becomes a magnet, attracting top diverse talent; in turn, that talent can better tap markets’ potential, whether in emerging economies or among a broader set of consumers at home. A diverse talent mix also can spark greater creativity and propel innovation that can help organizations distance themselves from their competition.

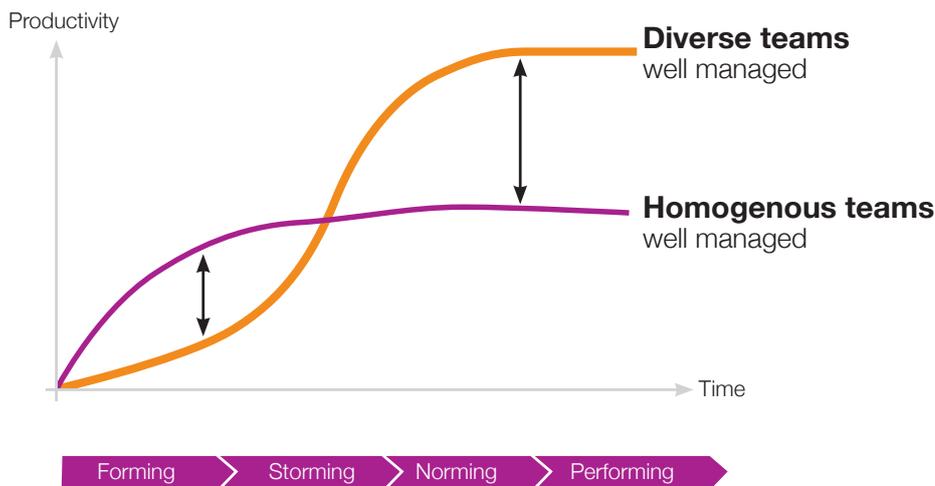
But inclusion is a challenge in itself. Even leaders who fully embrace the business case for diversity—understanding that homogeneous teams, although easier to manage, are more likely to result in “group think”—often feel unprepared to be inclusive. When discussing this approach, Korn Ferry often hears this from clients across multiple industries: “We don’t have an understanding of what to do and how to do it differently.”

Companies in recent times have improved their recruiting and hiring of more diverse talent. There is greater diversity today—by gender, ethnicity, race, and sexual orientation—than five or ten years ago at the entry and supervisory levels; overall, 50% of managers are women (International Labour Organization 2015), and people of color in the United States account for one-third of the labor force (Catalyst 2015). But many organizations struggle to keep that talent and advance it to positions of leadership and influence.

This paper takes on the challenge of inclusion, with a specific focus on the traits and abilities necessary to become an inclusive leader. Korn Ferry research, including from mining more than 2.5 million leadership assessments, identifies the traits and competencies needed for leaders to be inclusive in their own thoughts, perceptions, and actions—and to inspire an inclusive mindset in others. Such leaders are self-aware advocates for diversity, and possess the skills to leverage the differences within the diverse team

to achieve better performance than would occur with homogeneous teams. As shown below (Figure 1¹), homogenous teams in the early stages outperform diverse ones because of the disruption and conflict that can result when different perspectives, experiences, backgrounds, thinking, and communication styles are merged. But well-managed diverse teams can significantly outperform well-managed homogenous ones over time.

Figure 1
Impact of diversity on team performance.



This paper also discusses inclusive leadership within and across organizations in which teams are open and trusting, able to work inclusively, leverage diversity for greater adaptability, and achieve results.

¹ The figure synthesizes the work on the performance of diverse versus homogenous teams by Katherine W. Phillips (October 2014), and Bruce Tuckman's framework (1965) for the maturity over time of team performance.

21st Century Leadership

The 21st century leader is, by definition, an inclusive leader. Korn Ferry research (Figure 2) has demonstrated that to face contemporary challenges, leaders today must excel in four areas simultaneously: global, in growth, in change, and with innovation. In each dimension, inclusiveness is a must. The ideal **global leader** exhibits cross-cultural agility, can see workplace situations from others' perspectives, and can accept different beliefs and behaviors in addressing business challenges. A **growth leader** pursues diverse consumers whose aspirations, needs, wants, and desires can vary widely from those of traditional and legacy consumers and customers. A **change leader** can hire sufficient skilled talent from all pools, master the ability to inspire and motivate others in an environment of unprecedented diversity, manage organizational cultural differences in the midst of complex mergers and acquisitions, and lead teams with multiple nationalities. An **innovation leader** can move from diversity to inclusion by inviting out-of-the-box perspectives. This leader also gives "permission" to those who don't adhere to the status quo so their voices are heard, recognizing them as catalysts for innovation.

Figure 2

Korn Ferry research: 21st-century leaders needed today

Purple text highlight inclusive leaders' behaviors.

Global leaders

- Attract global talent, operate across boundaries, meet diverse customer needs
- Require global perspective, **cultural agility**, self-awareness, openness, and flexibility
- Depend on their capable, self-directed teams

Innovation leaders

- View problems as challenges to be overcome
- Use technology for new products/services
- Work hard to stay in front of trends by creating new markets
- **Open to diverse points of view**

Change leaders

- Pivot the organization in anticipation of or in response to market changes
- Swiftly change the business model and lead competitors because of adaptability and foresight
- **Master the ability to inspire and motivate people in a dynamic environment with unprecedented diverse teams**

Growth leaders

- Thrive in new, complex, and crowded business environments
- See and understand how to reach, design for, and **serve traditionally underrepresented consumers and clients**
- Grow business under difficult circumstances that may involve a lack of resources, fierce competition, or razor-thin margins

Although it has its own challenges, moving from diversity to inclusion can have a multiplier effect on the workforce. Research shows that when employees work with and for an inclusive leader, there are high-impact benefits, including improved collaboration, higher performance and productivity, greater engagement and loyalty, increased motivation, greater innovation and creativity, and enhanced potential to capture market share (Opportunity Now and Shapiro Consulting 2015).

McKinsey & Company, in a study of 366 companies in the United States, Canada, Latin America, and the United Kingdom, found correlations between diversity and financial performance. Companies in the top quartile for racial and ethnic diversity were 35% more likely to have financial returns above their respective national industry medians, while those in the top quartile for gender diversity were 15% more likely to have financial returns above their medians. Conversely, companies in the bottom quartile both for gender and for ethnicity and race were statistically less likely to achieve above-average returns than average companies to which they were compared—showing that they were lagging, rather than merely not leading (Hunt et al. January 2015).

Inclusive leadership does not occur automatically. It also is bolstered by individuals' exposure to diverse people and situations that challenge their preconceived notions and force them to overcome unconscious biases; everyone possesses such notions and biases to some degree. This means that inclusive leadership can be developed.

Drawing on the Korn Ferry Four Dimensions of Leadership (KF4D), we have identified traits and competencies as well as experiences and drivers crucial to developing inclusive leadership. The key traits include flexibility, adaptability, openness, and authenticity. Individuals fare better when their competencies include building collaborative relationships, optimizing diverse talent, and influencing diverse stakeholders. Inclusive leaders are also aware of their cultural drivers. With these traits, drivers, and competencies, inclusive leadership can be built at the individual and organizational levels, especially with five steps that can become an action plan for professional development and organizational excellence.

A five-step action plan.

Building cross-cultural agility

This capacity is built through leaders' personal and professional experiences. They may undertake an extended stay in a different culture, in or out of their native country. They may be influenced by parents who did overseas stints in business, not-for-profit, government, military, or missionary organizations. While in school, leaders may have studied abroad or participated in a service program. Their professional development might include expatriate assignments. Work assignments across varied contexts (cross-functional, cross-divisional, and cross-market) also can be beneficial, forcing leaders to operate outside their comfort zones and to challenge assumptions. These challenges, approached with humility and learning agility, can be transformative. They help leaders get comfortable seeing the world from others' points of view. They could not grow without such powerful experiences.

1. Openness and awareness.

Inclusive leadership starts with attitudes, traits, and behaviors that define and support a leader's openness and awareness. Cross-cultural agility—the ability to adapt one's behavior to work with other individuals and cultures—is essential so leaders can understand how their preferred style may (or may not) be helpful and productive when working with team members and parts of an organization with different cultural and experiential perspectives. This capacity is crucial in today's global, mobile, virtual, and dynamic workplace and as organizations operate in diverse environments. As Western multinationals seek to win in emerging markets, and as emerging-market multinationals expand globally, they need leaders with the competencies to understand, influence, and motivate across varied cultures—national, regional, ethnic, generational, religious, and organizational (Hazard 2012).

Personal leadership traits are foundational to inclusive leadership, and these include self-awareness, self-control, motivation, empathy, and other interpersonal skills that constitute emotional intelligence. The more aware and emotionally intelligent leaders are, the more attuned they become to their unconscious biases. They also become more willing to address them. They are skilled at identifying their own and others' cultural drivers. They then can exercise the curiosity needed to compare and contrast how others may be similar or different from them.

2. Effective advocacy for diversity.

Inclusive leaders are effective advocates for diversity, fully embracing the business case (see Figure 3) and championing initiatives that make inclusion an organizational priority. They link, for example, part of their leadership teams' compensation to tangible diversity goals. These targets might include others' development; sponsorship of affinity groups; and acting as role models and advocates for program changes that create accountability for diversity and inclusion in an organization. Inclusive leaders also might improve their organizations by, say, deploying root-cause analyses to identify barriers to diversity and inclusion and by determining why diverse employees aren't retained and don't advance. Korn Ferry worked with a global consumer products company to identify why women were under-represented at the director level and more senior positions. A root-cause analysis found that women had trouble gaining access to visible, influential sponsors; could not secure support; did not receive

career-path coaching; and lacked performance feedback from managers. These issues, once identified, discussed, and addressed, helped to significantly improve gender diversity among leaders. Without leaders to champion diversity and inclusion, the analysis probably would not have been done, and the firm probably would have continued to lose valuable women leaders.

Figure 3

The business case for inclusive leadership



Culture change

Kimberly-Clark, a global consumer products and personal care company, launched a big cultural transformation to create shared experiences and to fully engage its top 5,000 leaders; this was followed by an experiential program for 18,000 individual contributors. Korn Ferry worked with the company to implement interactive learning experiences over 11 weeks, in more than 20 global locations, and in 11 languages. Early results indicate an increase in diverse teams that are generating new and innovative products in the company's research and development pipeline. Higher scores for employee engagement and retention are also expected. That, in turn, will help recruit and attract diverse talent.

3. Trusting, open teams.

As companies hire more diverse talent, the increased heterogeneity can result in discord, even disruption (see Figure 1). The reality that diverse teams can be hard to manage sets in, and when people fail to come together, there is a risk of exclusion. This occurs when those different from the mainstream—often those whom the organization desired because of the business imperative for diversity—do not feel included (Tapia, 2016). Yet here is the lynchpin of the inclusive leadership process—and, often, a point of struggle for leaders and organizations. Unless this stage is mastered, diversity's real benefits will not be realized.

Contrary to conventional wisdom, the solution is not to bridge differences by searching for similarities; inclusive leadership, instead, may mean championing differences that initially cause discord and conflict. When clashes occur, team members must understand that they need to talk about and embrace their differences to realize benefits from the social diversity of race, gender, ethnicity, and sexual orientation, and from differences in communication and work styles. But differences cannot be explored unless a trusting, open environment has been established first. Korn Ferry has found in its work with organizations that when they engage their staffs in a way that values inclusion, they are more likely to perform at a higher level.

4. Diversity, greater adaptability.

In this stage, organizations begin to see the rewards of dealing with the challenges of fostering greater diversity and inclusion. Well-managed and inclusive teams (see Figure 2) demonstrate their strengths in innovation, strategic thinking, and leveraging differences for greater insights. Greater adaptability improves decision-making, strategy, and execution. Enhanced effectiveness within inclusive teams benefits the entire organization.

With greater adaptability among individual leaders and across teams, organizations also improve their ability to foster global growth. They are fundamentally able to handle a complex and ambiguous environment, leveraging varied environments internally and externally.

5. Driving results.

Inclusive leadership results when organizations can capture the achievements of diverse, well-managed, and inclusive teams. Untapped market potential—whether at home among targeted audiences or abroad in new or different regions or countries—now can be realized. Greater diversity and inclusion spark innovation and advances in product development; they help companies devise new ways to tap market potential.

Further, as organizations win recognition for their diversity and inclusiveness, they enhance their corporate brand, which improves recruitment and retention. PepsiCo sought to address low job satisfaction rates and high intention-to-leave rates for women of color, who also experienced longer times to promotion and lower trust scores. A comprehensive talent solution was put in place to boost employee morale and reduce disproportionate loss among women of color. This was followed by a 100% reduction in attrition among program participants; turnover was slashed to less than 2% from 42% in three years. PepsiCo saw a 75% increase in advancement for women of color, with their representation at the senior manager/director/vice president level rising to 6.8% from 4% in two years. As a further sign of support for the company's efforts: All the participants in Korn Ferry-supported workshops referred associates to the program. (Korn Ferry 2014)

PepsiCo has been recognized, in brand-enhancing fashion, for its leadership in fostering an inclusive workplace with such corporate honors as the Advancing Women Award and the Opportunity Now Excellence in Practice Award 2015 (Pepsico 2015)

Conclusion

Moving beyond diversity to embrace inclusion requires 21st century leadership. By taking on the challenges inherent in leading heterogeneous inclusive teams, these leaders bring their organizations to the next level in a highly competitive and increasingly diverse global marketplace. But as this discussion has shown, inclusive leadership requires commitment and a strategy. It takes a comprehensive plan, grounded in the assessment and development of key leadership traits and skills, to foster inclusive leadership at the top of the organization and to inspire an inclusive mindset throughout the organization.

References

Catalyst. 2015. Knowledge Center: People of Color in the United States.

Hazard, Peggy. 2012. *Cultural Dexterity: The Global Talent Solution*. Los Angeles: Korn Ferry.

Hunt, V., Dennis Layton, and Sara Prince. 2015. "Why Diversity Matters." *Diversity Matters*. McKinsey & Company.

International Labour Organization. 2015. *Women in Business and Management: Gaining Momentum*. Geneva: International Labour Organization.

Korn Ferry. 2014. *Workforce Performance, Inclusion, and Diversity Solutions, Client Examples*. Los Angeles: Korn Ferry.

Opportunity Now and Shapiro Consulting. 2014. *Inclusive Leadership: Culture Change for Business Success*.

PepsiCo. 2015. "PepsiCo recognised for creating an inclusive workplace for women."

Tapia, Andrés. 2016. *The Inclusion Paradox*, 3rd edition. Los Angeles: Korn Ferry.

Tuckman, B.W. 1965. "Developmental Sequence in Small Groups," *Psychological Bulletin* 63:384-399.

Contributors



Andrés T. Tapia

Senior Partner, Global Practice Leader
Workforce Performance, Inclusion and Diversity Practice



David Lange

Senior Partner

About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through Korn Ferry and our Hay Group and Futurestep divisions. Visit kornferry.com for more information.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.

