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# **Inclusive Leadership: Unlocking the Value of Diversity and Inclusion**

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# Inclusive Leadership: The Time is Now

## **For shareholders, the cost of bad leadership behavior is mounting.**

A growing number of CEOs and other high-profile leaders have been ousted for allegations of sexual harassment, discriminatory language and other offenses that might have once been swept under the rug. The costs to their organizations are often staggering. Recent CEO indiscretions at public companies have led to an average 7 percent decline in market capitalization – or a \$4 billion loss – in the days and weeks following the news.<sup>1</sup> And these numbers do not include reputational losses, legal fees and settlements, the cost of follow-on training or of replacing the disgraced executives.

## **At the same time, the need for leaders to create welcoming workplace cultures is growing exponentially.**

By the year 2050, researchers project there will no longer be a clear racial or ethnic majority in America, and immigrants and their children will account for 83 percent of U.S workforce growth.<sup>2</sup> This heterogeneity is occurring as organizations become less hierarchical and more dependent on complex, knowledge-based tasks that require teamwork and collaboration. These multiple shifts point to a common leadership implication: to maximize performance, leaders will need to master the art of enabling people with different perspectives to work well together.

## **The diversity and inclusion (D&I) imperative is fast becoming the new frontier in risk management. Evidence suggests there are also rewards to be gained from getting D&I right. In order to succeed, companies need to ensure they have leaders who can create impact in a diverse workforce.**

Leaders who create diverse and inclusive cultures have a distinctive leadership profile. They possess certain innate instincts as well as learned competencies. Our research shows they also tend to see better outcomes from the individuals and teams they manage, including greater employee loyalty, better decision-making, and higher levels of innovation.

To help companies hire and develop such executives, Russell Reynolds Associates has developed a new approach that we call the Inclusive Leader profile. This profile defines the four key competencies that characterize an inclusive leader, as well as the various behaviors that are associated with these competencies.

## **In this paper, we take a detailed look at the concept of inclusive leadership and answer some key questions:**



## What is Inclusive Leadership?

What distinguishes inclusive leaders from others? We define inclusive leadership as:

*A set of proactive behaviors that leverage the unique attributes of each person in the workplace with the goal of enhancing overall performance potential.*

Inclusive leaders excel in four key areas. They bring **awareness and clarity** to problem areas, they practice **courageous accountability** to help resolve those problems, they **empower others**, and they foster **innovative collaboration** to unlock the unique contributions of each person in a group.

The Inclusive Leader model further breaks out each of these four competencies into intrapersonal dimensions (related to how a leader self-regulates) and interpersonal dimensions (related to how a leader interacts with others).

Using our three-pronged assessment process, we not only can discern how likely an executive is to prioritize and excel at inclusive leadership, but also offer detailed, specific feedback on developmental steps to improve.

### The Russell Reynolds Associates Inclusive Leader model

Inclusive leaders begin by bringing awareness and clarity to a situation, then progress to problem-solving and value creation. Their strength depends on both intrapersonal dimensions as well as interpersonal ones. Each competency builds on the one before it.



# How to Assess, Select and Develop Inclusive Leaders

Inclusive leadership is powerful. However, few organizations are currently measuring, recognizing, developing and rewarding it. **Only 40 percent of executives believe their leadership is held accountable for fostering an inclusive culture and only 35 percent said their leadership considers inclusive behaviors as promotion criteria for leaders**, according to RRA's recent Diversity and Inclusion Pulse survey, which asked more than 1,800 leaders globally about their organizations' D&I strategies and practices.

These trends imply that many organizations are undervaluing inclusive leadership skills. As a result, they miss important opportunities to encourage and promote leaders who have them, and develop the leaders who do not have them yet. Meanwhile, they are missing out on the full potential that diverse teams can deliver.

**We use a three-pronged approach to help organizations identify and develop inclusive leaders. This allows a robust process for identifying the extent to which individuals are effective inclusive leaders. It also forms the basis of personal development plans for individuals to become more inclusive.**

## RRA Process for Identifying and Developing Inclusive Leaders



**Beyond identifying and coaching individual leaders, organizations need to invest in five key efforts in order to fully harness the effect of inclusive leadership and embed it into their cultures:**



This type of investment will ultimately lead to a virtuous cycle. As external reinforcement helps the culture become more inclusive, individuals will also begin to internalize the concepts and hold themselves accountable for making the workplace a positive environment for all employees. Similarly, as leaders embrace inclusive leadership concepts, employees at all levels will be more likely to practice inclusive behaviors.

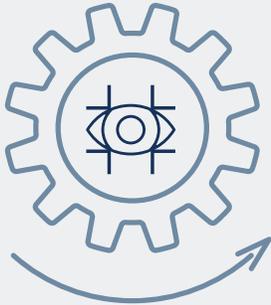
# Recognizing Inclusive Leadership

How are inclusive leaders different from average ones? The following actions are what help define and differentiate them.

COMPETENCIES	ACTIONS	DIFFERENTIATORS
 <p><b>Awareness and clarity</b></p>	<ul style="list-style-type: none"> <li>Leaders gather input on D&amp;I pain points from the organization.</li> <li>Leaders proactively create time and space for open and welcoming discussions around D&amp;I.</li> <li>Leaders seek input from diverse backgrounds and perspectives.</li> </ul>	<p>▶ While some leaders may shy away from these topics in the workplace, inclusive leaders will lean into them.</p>
 <p><b>Courageous accountability</b></p>	<ul style="list-style-type: none"> <li>As leaders get a better understanding of D&amp;I pain points, they commit to holding themselves and others responsible for addressing those areas, as well as working toward a broader vision of an inclusive culture.</li> <li>Leaders proactively challenge bias, intolerance and resistance to change, despite potential headwinds. They may create D&amp;I-focused roles or policies and use a scorecard to track progress.</li> </ul>	<p>▶ While some leaders look the other way, inclusive leaders create cultures of accountability.</p>
 <p><b>Empowering others</b></p>	<ul style="list-style-type: none"> <li>Beyond simply addressing pain points, leaders move to expand opportunities for the diverse people they lead.</li> <li>Leaders take time to understand the working experience for each direct report and peer. They then help team members identify strengths and development areas – and connect them more broadly through sponsorship and mentorship relationships.</li> </ul>	<p>▶ While some leaders seek to direct others, inclusive leaders seek to understand and empower.</p>
 <p><b>Innovative collaboration</b></p>	<ul style="list-style-type: none"> <li>Once leaders recognize and celebrate the diverse identities of their workforce, they can use complementary strengths and styles to improve decision-making and innovation.</li> <li>Leaders continuously seek insights from different individuals and challenge their own and others' existing mindsets. They are curious to learn about new approaches and use them to maximize team outcomes.</li> </ul>	<p>▶ While some leaders simply manage diversity, inclusive leaders maximize the potential of each individual and team.</p>

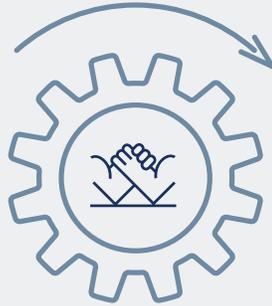
## Inclusive Leaders in Action

Following are some recent examples of actions that individual leaders have taken to help create inclusive cultures.



### Awareness and clarity

In 2016, following a number of racially-motivated acts of violence in America, **Accenture North America CEO Julie Sweet** invited every employee to a series of conversations on race in the workplace that she personally led. Her proactive move introduced what may have been a taboo (but highly relevant) issue into the workplace dialogue. It also allowed many employees to feel safe in expressing their concerns about issues happening both outside and inside the walls of Accenture. Afterward, she received many thank-you emails from managers who previously had no idea their employees were struggling with the issues shared that day, as well as requests for similar conversations on other sensitive topics.<sup>3</sup>



### Courageous accountability

In the wake of racial violence and protests in multiple US cities, **PwC US Chairman Tim Ryan** initiated a conversation with thousands of employees about the incidents. As he saw the power of what he calls “honest, respectful and often uncomfortable dialogue about the experiences, fears and obstacles of our neighbors, coworkers and friends” within PwC, he committed to raising the topic of diversity and inclusion with every CEO he met. From that commitment, the **CEO Action for Diversity & Inclusion™** was created. Now, more than 500 CEOs have committed to fostering D&I within their own firms and beyond.<sup>4</sup>



### Empowering others

For the film *Coco*, **Pixar director Lee Unkrich** committed to making the story of Mexico’s Day of the Dead celebration authentically reflective of Mexican culture and heritage. To achieve this goal, he engaged in numerous conversations with Mexican staff members, consultants, and even traveled to Mexico to witness the culture first-hand. Midway through production, in recognition of screenwriter Adrian Molina’s unique combination of personal connection to the story and creative talent, Unkrich promoted him to co-director. Unkrich, Molina, and their team ultimately launched a film that earned \$807 million at the box office and countless awards for its authenticity.<sup>5</sup>



### Innovative collaboration

In 2015, Caterpillar faced downward trends in parts sales for one of its business units at the same time it was trying to find creative development opportunities for high-potential talent. To address both issues, former **Caterpillar HR director Latasha Gillespie** organized teams based on diversity in gender, geographic background, generations, language and function, including some people who had no experience in this aspect of the business. While many saw the approach as risky, the reward was substantial. The teams generated \$57 million in incremental sales, “above and beyond the recoveries that the business produced using traditional methods,” Gillespie said.<sup>6</sup>

## Outcomes of Inclusive Leadership

Our research shows inclusive leaders significantly affect their employees' experience at work; improving outcomes including job satisfaction, loyalty and sense of belonging.<sup>7</sup> When employees have positive working relationships with their leaders and feel they can act authentically in the workplace, they are more likely to contribute at higher levels and improve firm performance.

### The Impact of Inclusive Leadership on Executives



Inclusive leaders also contribute to improved collaboration, as they are able to leverage the diverse contributions of each team member and empower groups to perform beyond the sum of their parts. Teams with inclusive leaders were more likely to make high-quality decisions, produce innovative ideas, and perform at higher levels than others. We see similarly positive effects for other team-level outcomes such as agility, effective communication and collaboration, risk management and readiness to disrupt, transform and focus on the future.

### The Impact of Inclusive Leadership on Teams

This leader ...



## Looking ahead

The diversity and inclusion imperative is the next frontier of risk management as well as a leading contributor to high performance. While no leadership style can guarantee good behavior or business growth, it's clear that the inclusive leadership behaviors we have identified set the stage for both of those benefits – and that they are factors in executive selection and development that no organization can afford to ignore. With our multi-faceted assessment process and proprietary Inclusive Leader model, we are fully prepared to help our clients hire and develop executives who can meet the challenges of D&I while contributing extraordinary value to their firms.

### **Methodology: The Russell Reynolds Associates Inclusive Leader model**

To create our Inclusive Leadership profile, we conducted an in-depth review of how the concept of inclusive leadership was being defined in academia and in practice at respected organizations. We then distilled the core themes that emerged from this wide variety of sources into a proprietary model for the purpose of executive selection and development.

We then tested this model via our 2018 Diversity and Inclusion Pulse survey, which asked over 1800 senior executives across the globe about their organizations' D&I strategies and practices, as well as their own experiences in the workplace. Our process included asking participants to rate their most recent leaders on model behaviors such as facilitating discussions related to D&I and holding others accountable for inclusive behaviors, as well as to assess themselves and their teams on various performance measures. Through this process, we were able to confirm that inclusive leadership was associated with positive individual outcomes, such as employee retention, and positive team outcomes, such as improved decision-making, performance, and innovation.

Our data revealed strong effects associated with these inclusive leader behaviors and further validated that each component of our model added unique, significant value to team and individual performance. Although each component of Inclusive Leadership signaled significant impact toward these outcomes of interest, leaders who exemplified all aspects of our model had teams that performed at the highest level.

<sup>1</sup> RRA review of 2017-8 data. See also Brandon N. Cline, Ralph A. Walkling, Adam S. Yore. The consequences of managerial indiscretions: Sex, lies, and firm value. *Journal of Financial Economics*, Volume 127, Issue 2, February 2018, Pages 389-415.

<sup>2</sup> Center for American Progress.

<sup>3</sup> Erika Fry, How Accenture Tackled a Hard Conversation About Race, *Fortune.com*, October 17, 2016 <http://fortune.com/2016/10/17/accenture-julie-sweet-diversity-race/>.

<sup>4</sup> PwC US inspires more than 300 CEOs to commit to diversity and inclusion, PwC Global Annual Review 2018, <https://www.pwc.com/gx/en/about/stories-from-across-the-world/inspiring-more-than-150-ceos-to-commit-to-advance-diversity-and-inclusion.html>; also 2017 statement from Tim Ryan, <https://www.ceoaction.com/actions/statement-from-tim-ryan/>.

<sup>5</sup> Elbert Wyche, Pixar's Lee Unkrich and Adrian Molina on Making *Coco* Feel Authentic, *ScreenDaily.com*, November 30, 2017. <https://www.screendaily.com/pixars-lee-unkrich-and-adrian-molina-on-making-coco-feel-authentic/5124547.article>.

<sup>6</sup> Diversity & Inclusion Gamechangers, <http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Diversity%20and%20Inclusion%20GameChangers%20FINAL.PDF>.

<sup>7</sup> RRA 2018 Diversity and Inclusion Pulse Survey.

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Russell Reynolds Associates is a global leadership advisory and search firm. Our 425+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations – our teams bring their decades of expertise to help clients solve their most complex leadership issues. Find out more at [www.russellreynolds.com](http://www.russellreynolds.com). Follow us on Twitter: [@RRAonLeadership](https://twitter.com/RRAonLeadership)



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