KORN FERRY
Institute

Talent Framework

The Inclusive Leader

Optimizing diversity by leveraging the power of inclusion.

Inclusive leadership as a bottom-line, beneficial goal.

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

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.

to achieve better performance than would occur with homogeneous teams. As shown below (Figure 1[1]), 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.

Productivity

Diverse teams
well managed

Homogenous teams
well managed

Time

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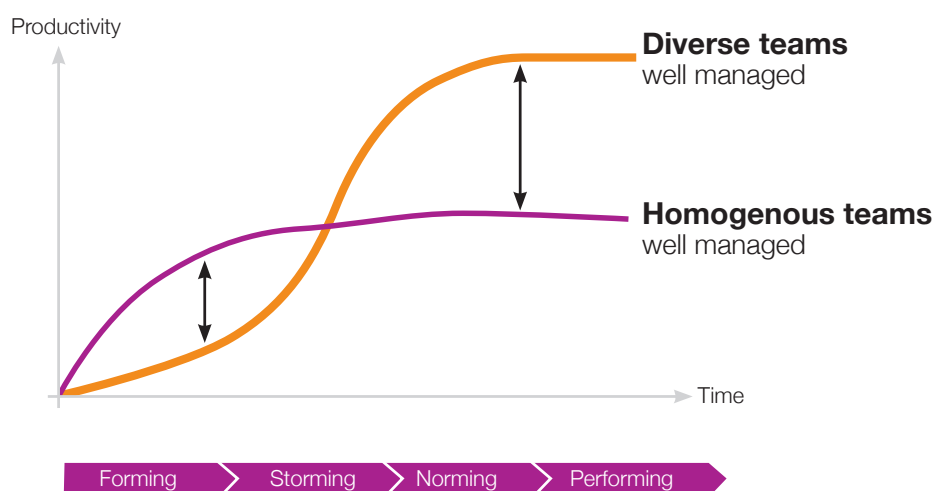
This paper also discusses inclusive leadership within and across organizations in which teams are open and trusting, able to work inclusively, leverage diversity for greater adaptability, and achieve results.

---

[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

Inclusive leaders drive organizational growth in the 21st century

Biggest 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

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.

KORN FERRY®