

# KNOWLEDGE

SIGNATURE INSIGHTS FROM NOETIC GROUP

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LEADERSHIP

## Maximising diversity and performance through inclusive leadership


BY MADELEINE LONG


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## INTRODUCTION

Inclusive leadership is not the latest fashion or fad or HR speak. It's not a fly-by-night campaign. It's how leaders harness the benefits of workplace diversity and build organisational success. In practice, inclusive leadership involves ongoing collaboration and leadership behaviour that encourages a diverse mix of experience, demographics, knowledge and thinking styles, in an open and trusting workplace for optimal decision-making.

This paper details the link between inclusive leadership, risk management and organisation performance in the modern operating environment. Its purpose is to provide a framework to accelerate progress from diversity to inclusion. In doing so, it provides the context for leaders to understand what the difference between diversity and inclusion is, and the case for applying inclusive leadership.

## WHAT IS THE DIFFERENCE BETWEEN DIVERSITY AND INCLUSION?

Diversity and inclusion are different. Diversity means all the ways we differ. It refers to the composition of a society, a workplace or group. Inclusion speaks to a person's ability to contribute to, and fully participate in, a society, workplace or group. Workplace inclusion is how we derive value from this diversity. Diversity alone doesn't automatically mean inclusion. In fact, without inclusion, there can be a diversity backlash. For example, an organisation that takes deliberate steps to ensure workplace diversity still may fail to achieve the desired positive changes. Diversity backlash may be in the form of criticism about whether women are being hired, or promoted, for their gender over merit. It can create a culture of distrust. Inclusive leadership is about engaging in two-way conversations to get the early feedback to counter these criticisms. Inclusive leaders understand that diversity and inclusion are personal and emotionally charged topics. It's about getting the best out of people individually, and in teams, to achieve an organisation's goals.

Previous research<sup>1</sup> has highlighted that people have two opposing needs in group settings: the need to belong and the need to be unique. When people feel too similar to group members, they try to set themselves apart, to feel unique. When people feel as if they don't belong they may try to assimilate and become more similar. Experts believe these needs for uniqueness and belongingness are in fact universal.

As highlighted in a Catalyst study of inclusive leadership in six countries<sup>2</sup> (including Australia) when it comes to inclusion, the same inclusion formula of uniqueness and belongingness are strong predictors of inclusion. Cultural norms play a part in the weighting of belongingness and uniqueness. For example, Japanese place more importance on belongingness whilst Australians tip the balance toward uniqueness. Therefore, it's not only important to understand this inclusion formula, it's also crucial for leaders to consider cultural differences.

## INCLUSION=UNIQUENESS+BELONGINGNESS

1. Marilynn B. Brewer, "The Social Self: On Being the Same and Different at the Same Time," *Personality and Social Psychology Bulletin*, vol 17, no 5 (October 1, 1991): p. 475-482

2. Catalyst Inclusive Leadership: The view from Six Countries (Australia, China (Shanghai), Germany, India, Mexico and the United States)

We can look at inclusion from the evolutionary neuroscience perspective which asserts that inclusion is important to everyone. Humans are shaped by social interactions which are processed in the medial prefrontal cortex. Group connections are needed in order to survive, and these connections motivate us to work together and develop rewarding social interactions. Being excluded activates the pain system, suggesting that it is a threat to survival. This tangible social pain is evidence that evolution has treated social connection as a necessity, not a luxury.

From neuroscientific studies, we know that bad experiences evoke stronger emotional reactions than good experiences might. Discrimination against people due to their race, gender, age, personality type, education, sexual preference and disability are examples of exclusion in society. When mirrored in the workplace, social exclusion can evoke powerful and visible negative emotions and pain. Studies show that being excluded at work can impair performance on cognitive tasks, reduce the ability to problem solve in the face of difficulty, and may reduce creativity<sup>3</sup>. People are more likely to recall stories of workplace exclusion than those of inclusion. Tokenism, bias, stereotyping, and mixed messages related to flexible work arrangements and work-life effectiveness are examples of exclusionary behaviour that still exists - even in those organisations who have well-publicised and well-funded diversity and inclusion strategies.

When not leading inclusively, leaders open the door to biases. For example, confirmation bias is where we seek out or interpret information that confirms our beliefs or hypotheses. We approach a decision with a preconceived opinion or belief. We search for information that supports this. Inclusive leadership provides space and time to examine and address biases. Objectivity in decision-making is a fundamental premise upon which inclusive leadership is based. For example, risk mitigation relies on the impartial analysis of data and differing perspectives. Scenario planning also necessitates unbiased assessment of relevant factors that can make all the difference between a right and wrong decision.

3. Roy F Baumeister et al., "Social Exclusion Impairs Self-regulation," *Journal of Personality and Social Psychology* vol. 88, no.4 (April 2005): p. 589-604

Roy F Baumeister, Jean M. Twenge, and Christopher K. Nuss, "Effects of Social Exclusion on Cognitive Processes: Anticipated Loneliness Reduces Intelligent Thought," *Journal of Personality and Social Psychology*, vol 83, no.4 (2002) p. 817-827

## WHERE ARE WE TODAY?

Many Australian business and government leaders have made diversity and inclusion a key talking point with employees, customers, suppliers, shareholders and the media. However, while there is a reasonable level of awareness in many organisations, the ground realities are often still far from ideal. In these cases, leaders believe that representational diversity means that there is workplace inclusion, which is often not the case.

Despite the awareness that inclusive leaders are better equipped to lead through economic, organisational and political uncertainty, leadership teams often struggle to understand the practicalities of how to become more inclusive and to leverage diversity. Inclusive leadership in the contemporary workplace is not without its challenges. Overcoming entrenched overt and covert unconscious biases, 'group think' and stereotyping takes time and unwavering commitment.

Few Commonwealth Government projects in Australia have attracted attention like the Housing Insulation Program referred to as the "pink batts affair". This energy efficiency program, developed in May 2009, involved retrofitting ceiling insulation in 2.7 million homes over five years. However, timelines were reduced because it was decided to use this program as an economic stimulus by creating jobs during the global financial crisis. The conventional tendering process was bypassed and households engaged directly with installers registered with the Commonwealth. To disperse funds quickly, subsidies were paid directly to installers which dramatically increased fraud risks. New systems to mitigate these risks were not completed until some months after the start date. New training to support the dramatically expanded retrofit industry was not available until after the program start date.

Over one million homes were insulated before the program ended prematurely in February 2010 due to four installer deaths. Before the program there were about 270 installers: at its peak, the industry employed between 6,000 and 10,000. The royal commission into the program found that all four deaths were avoidable if they had received appropriate training and supervision.



Could more critical thinking and debate from a diverse range of people have prevented this outcome? Did ‘group think-’ lead to the decisions that contributed to the insulation program’s short comings? When time is short, it is more important, not less, that senior leaders empower critical thinking. Skilfully managed, level-headed debate informed by curiosity, together with good analytics, promotes effective decision-making. As an initiative considered economically beneficial to Australian society during the global financial crisis, did this negate the perceived importance of risk analysis rigour? For example, was impartial information scrutinized from a variety of stakeholders who held different insights and experience with a rollout of this scale? This case illustrates the potential high stakes where inclusive leadership is essential.

According to public relations firm, Edelman, which publishes a global annual survey involving over 33,000 respondents, we are living in a world of distrust. Edelman believes that there is a ‘trust crisis.’ The Trust Barometer<sup>4</sup> gauges the public’s trust in leaders, institutions and the media. Edelman’s premise is that trust is at the heart of an individual’s relationship with an institution and, by association, its leadership. Relating this to the organisational workplace, it is not uncommon for people to describe their teams as dysfunctional due to an absence of trust. As noted earlier, diversity backlash can also have an impact on team trust. Therefore, open communication throughout all levels of the organisation during the diversity and inclusion strategy implementation will help to build a culture of trust.

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4. 2017 Edelman Trust Barometer, “The Trust Index is an average of 28 countries trust in the institutions of government, business, media and NGO.”



## WHAT IS THE CASE FOR INCLUSIVE LEADERSHIP?

The intellectual capital of a diverse workforce is known to propel creativity, innovation, and initiative. It encourages authentic engagement with clients, consumers, vendors, partners, and potential workforce. It is equally the case that a lack of trust and engagement delivers the opposite. As noted earlier, the key to getting the best outcomes lies with the organisation's leaders who can drive inclusive behaviour. This raises the question, is it worth the effort to drive to a truly inclusive organisation?

There is now sufficient empirical evidence to provide the case for human and financial capital investment into developing true inclusive leaders. In a recent Australian Financial Review interview<sup>5</sup> Qantas CEO, Alan Joyce, stated that he attributes the spectacular transformation of Qantas to its ability to harness diversity and inclusion. According to Joyce: "We have a very diverse environment and a very inclusive culture," and those characteristics "got us through the tough times ... Diversity generated better strategy, better risk management, better debates and better outcomes."

Deloitte's Tracking the Trends 2017<sup>6</sup> reports that from a diversity perspective, numerous studies show that companies that leverage their diverse workforces outperform their less diverse counterparts. For example, on gender diversity alone, companies with female CEOs realise an average return of 103 percent during their leadership tenure, compared to the overall S&P average of 69 percent over the same time periods. Additionally, companies in the top quartile for racial and ethnic diversity are 35 percent more likely to enjoy financial returns above national industry medians.

In McKinsey's *Delivering through Diversity report*,<sup>7</sup> harnessing gender diversity is correlated with both profitability and value creation. In their 2017 data set, they found a positive correlation between gender diversity on executive teams and financial performance. And, companies with the most ethnically diverse executive teams are 33 percent more likely to outperform their peers on profitability. A recent study<sup>8</sup> found that 83 percent of millennials are actively engaged when they believe their organisation fosters an inclusive culture.

A further analysis of the case for inclusive leadership is found in the 2016 Harvard Business Review article 'Why Diverse Teams are Smarter'.<sup>9</sup> Authors Rock and Grant maintain that diverse and inclusive teams are more likely to constantly re-examine facts and remain objective. They may also encourage greater scrutiny of each member's actions, keeping their joint cognitive resources sharp and vigilant. By breaking up workplace homogeneity, you can allow your employees to become more aware of their own potential biases – entrenched ways of thinking that can otherwise blind them to key information and even lead them to make errors in decision-making processes.


5. Australian Financial Review, November 30, 2016

6. Tracking the Trends 2017: The top 10 trends mining companies will face in the coming year, Deloitte, (2017) p. 40

7. McKinsey's Delivering through Diversity Report, 2017

8. The 2017 Deloitte Millennial Survey, 2017

9. David Rock and Heidi Grant, Why Diverse Teams Are Smarter, Harvard Business Review, November 4, 2016



**Successful inclusive leaders  
also build trust, view failure as a  
temporary setback and are open  
and curious to enable calculated  
risk taking...**

## WHAT DOES GOOD INCLUSIVE LEADERSHIP LOOK LIKE?

Inclusive leadership sparks creativity, innovation and collaboration – ideal behaviours when identifying and managing risk. While inclusive leadership necessarily starts from the Board and executive management, the same behaviours are needed by leaders at all levels of the organisation.

According to a 2017 Harvard Business Review report,<sup>10</sup> inclusive leadership is a conglomeration of six behaviours:

1. ensuring that team members speak up and are heard
2. making it safe to propose novel ideas
3. empowering team members to make decisions
4. taking advice and implementing feedback
5. giving actionable feedback
6. sharing credit for team success.

Successful inclusive leaders act with humility, courage and vulnerability. This helps them build trust amongst team members. They empower diverse thought and stress the importance of both collaboration and individual accountability.

If we acknowledge that belongingness plus uniqueness equals inclusion, inclusive leaders not only need to value and encourage diverse experiences, points of view, identities and communication - they need to find a common ground. This is a true balancing act, and one of the complexities of inclusive leadership. Too much focus on belongingness runs the risk of enabling 'group think'. A balanced strategy of meeting employees' needs for uniqueness and belongingness can be more impactful in increasing employee innovation and engagement.

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10. Diversity Doesn't Stick Without Inclusion, Harvard Business Review, February 1, 2017



## HOW TO BUILD AN INCLUSIVE WORKPLACE?

As with any major change program, a successful move from diversity to inclusion, is more likely to happen with these key success factors in place:

- + strong support from leaders across all levels of the organisation
- + an employee base that is fully engaged with the initiative
- + leadership practices that are aligned with the effort
  - including role modelling inclusive behaviours
- + a baseline to measure progress over time
- + a strong and well-articulated business case for action.

Breaking down the complexities of cultural change programs for inclusion can fast-track employee engagement and program impact. The following is a model which focuses on the key activities that are visible and help to show leaders' genuine commitment. It can orchestrate a powerful shift in the energy of a team. It is designed to be a practical way to disrupt the status quo.

### A model to accelerate building an inclusive workplace

**Make inclusive leadership  
a strategic goal**

**Develop inclusive leaders  
who role-model inclusion**

**Link inclusion to high  
performance teams**

**Design and fund initiatives  
to embed inclusion**

**Measure impact**

## 1. Make inclusive leadership a strategic goal

Move diversity and inclusion from being an organisational initiative to a core responsibility of senior leadership to cascade down to all levels of leaders and managers. It's the role of leaders to take employees on a change journey where they can create and own solutions and equip them with the training and development to address inclusion. It's not a leader's job to simply enforce unproductive compliance.

Ensure the CEO and executive leaders define the inclusion related strategic goal and openly demonstrate commitment and accountability. "Walking the talk" continues to be an imperative for great leadership. Inclusion should be a core competency used to assess executives' performance.

## 2. Develop inclusive leaders who role-model inclusion

Leaders that demonstrate self-awareness and self-belief as well as deeply held personal values that define them set an example to employees who observe them. Inclusive leaders adapt their leadership styles to suit different situations. The coaching approach is usually their preferred style. They also adapt their communication according to their audience to ensure engagement. They encourage calculated risk-taking, invite and listen to diverse opinions, perspectives and ideas before making important decisions.

Inclusive leaders visibly show encouragement, gratitude, appreciation, and recognition toward employees through positive comments. They ensure the flow of information from employees to senior leaders and take corrective action when needed. \*

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\* Effective teams researcher, Emily Heaphy and consultant Marcial Losada examined the effectiveness of 60 Leadership team at a large information processing company. "Effectiveness was measured according to financial performance, customer satisfaction ratings and 360-degree feedback ratings of team members. They found that the factor that produced the greatest difference between the most and least successful teams was the ratio of positive comments. The average ratio for the highest performing teams was 5.6, that is nearly six positive comments for every negative one."

### 3. Link inclusion to high performing teams

Trust is the foundation for high performing teams. Patrick Lencioni, author of the highly acclaimed team management book *The Five Dysfunctions of a Team: A Leadership Fable*, reinforces that without trust you cannot have unfiltered, passionate debate about the things that matter – the very thing needed for inclusive decision making.. In Figure 1 below, Lencioni’s model, *The Five Dysfunctions of a Team*, highlight the fact that teams succeed by being exceedingly human. Inclusion is about facilitating and inspiring team leaders to commit to building trust, overcoming fear of conflict, persistent commitment, accountability and a determined attention to achieving results.

Figure 1: The Five Dysfunctions of a Team by Patrick Lencioni



The role of an inclusive leader is to overcome these dysfunctions by leading by example and setting the tone for the whole team. This includes being the first one to be vulnerable, encouraging debate and conflict, making responsibilities and deadlines clear, setting the team’s standards and, last but not least, being clear on the team’s results.

11. Patrick Lencioni, *The Five Dysfunctions of a Team: A Leadership Fable*, 30 July 2002



## 4. Design and fund initiatives to embed inclusion

A range of programs and initiatives are recommended to build an inclusive culture. They will also ensure employee engagement and demonstrate commitment from leadership that they are “walking the talk.” Access to the CEO about progress is important. Bottom up initiatives should be encouraged. Examples include:

- + unconscious bias awareness education. Identify the top three issues to address in the short term to show a genuine desire to resolving them
- + flexible workplace arrangements that truly encourage males and females to take advantage of this initiative. It needs to go beyond a documented policy. It should be role-modelled and rewarded by leadership, ensure that it is not perceived as a ‘career limiting’ practise, and part of inclusive leadership to encourage it and remove obstacles preventing it
- + return to work programs to support parents and carers on extended leave to adjust to their workplace
- + career resiliency for women to build their internal and external networks, take control of their career, strengthen their confidence through effective communication, talk about their successes and secure mentors and sponsors
- + inclusive leadership coaching to support leaders understand the practise of inclusion in their everyday work e.g. self-awareness, active listening, emotional intelligence, flexible communication styles, conflict resolution, coaching skills and understanding bias and stereotyping in decision-making
- + establish internal taskforces with a senior level leader as champion to focus on inclusion and diversity. Make them short in duration e.g. six months to explore the issues, opportunities and strategies affecting their teams
- + permission to “call out” behaviour contrary to inclusion and provide reporting channels to support this
- + measure performance against base line data and have periodic reviews to check progress.

## 5. Measure Impact

Employee engagement surveys, performance reviews, employee grievances and disputes, employee retention scores, as well as organisational and work group goal achievement are ways to measure the impact of inclusion. Record anecdotal progress and highlight it at forums such as team meetings, performance feedback sessions and leadership meetings. Subjective measures can be highly motivating through the change process. Quantitative impacts can be collated and communicated when data becomes available. The key is to understand its importance and actively seek ways for people to share in the successes as well as the short-falls.



## CONCLUSION

Diversity without inclusion is not enough. Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection – where the richness of ideas, backgrounds and perspectives are harnessed to create business value.

Those institutions who are already leveraging diversity are reporting direct links to success. Those leaders who understand the value of inclusion, and visibly role model the right actions, are reaping the rewards of high performing teams who consistently deliver outstanding results. Reducing the complexity of the change process and focusing on short term inclusion deliverables can make all the difference to the longer term transition from diversity to inclusion.



**Diversity without  
inclusion is not  
enough...**





## ABOUT THE AUTHOR

### Madeleine Long

Madeleine is Noetic's Principal Consultant in Leadership & Culture. Having worked in agile, fast paced start-ups in Silicon Valley as well as in complex, slow moving government and banking institutions has provided the backdrop for Madeleine's fascination with the people dynamics of organizational performance. She's considered a thought leader and trusted advisor in building high performance teams and inclusive workplaces in Australia.

With a distinguished business career spanning 35 years Madeleine worked in senior operational leadership positions with the Commonwealth Bank, MasterCard and VeriFone both in Australia and globally.

Madeleine now heads a professional services firm which specialises in inclusive leadership and high performance team development. She is an executive coach and mentor to CEO's, board directors, and executive managers. Her clients and partners include Rio Tinto, Commonwealth Bank, Baker Hughes, Deloitte, GE Healthcare, BHP, Woodside, Fortescue Metals Group, NAB and a range of government entities.



## NOETIC LEADERSHIP

### Peter Murphy

Peter is a Director and Co-founder of the Noetic Group. He has led much of Noetic's work into youth justice, regulation, organisational reviews, leadership, lessons learnt, emergency services and complex stakeholder engagement. In particular, he has overseen many of Noetic's lessons learnt projects which has given him an excellent insight into leadership in crisis situations.

Prior to joining Noetic, Peter served as an Army Officer for 20 years. Peter has extensive experience working overseas including Syria, Israel, UAE, Kuwait, India and Timor Leste. He is currently working in the Group's Washington D.C. office. Peter's qualifications include a Bachelor of Arts (Honours), Masters of Science, Masters of Business Administration and Graduate Certificate in Information Technology.



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