

A man and a woman are smiling and looking at documents on a table. The woman is on the left, wearing a striped shirt, and the man is on the right, wearing a blue button-down shirt. They are both looking down at the papers on the table. The background is a soft, out-of-focus office setting.

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.*

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.

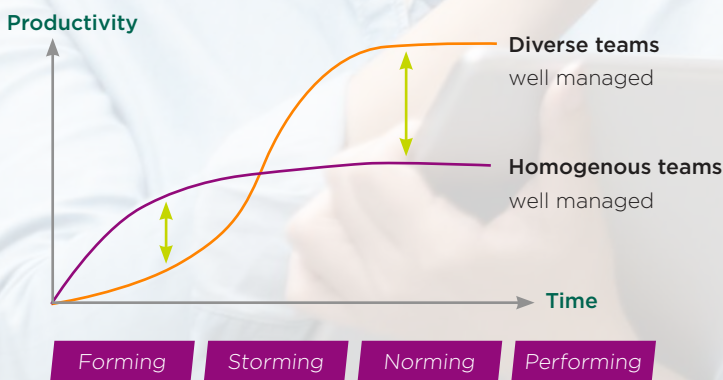
But inclusion is a challenge in itself. Even leaders who fully embrace the business case for diversity—understanding that homogeneous teams, although easier to manage, are more likely to result in ‘group think’—often feel unprepared to be inclusive. When discussing this approach, Korn Ferry often hears 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. Today, women are nearly at 50% parity in the workforce with men given greater level of education and advancement (International Labour Organization 2018), and people of ethnic and racial minorities in the United States account for 22% of the labor force (Bureau of Labor Statistics 2018). 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 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 diverse teams well managed by inclusive leaders can significantly outperform well-managed homogenous ones over time.

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.

**Figure 1**  
Impact of diversity on team performance<sup>1</sup>.



<sup>1</sup>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: they must be a global leader, a growth leader, a change leader, and an innovation leader. 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 newly emergent consumers from many different types of backgrounds whose aspirations, needs, wants, and desires can vary widely

from those of traditional and legacy consumers and customers. A **change leader** masters the ability to inspire and motivate demographically different talent pools to leave behind the familiar, but outdated, and embrace the new and newly relevant in the midst of transformational change. An **innovation leader** can activate the power of the diversity in the organization to generate more innovation by inviting and affirming out-of-the-box perspectives. This leader gives 'permission' to those who don't adhere to the status quo so their voices are heard, recognizing them as catalysts for change.

**Figure 2**  
Korn Ferry research: 21st-century leaders needed today.  
Purple text highlight inclusive leaders' behaviors.

Global leaders	Innovation leaders
<ul style="list-style-type: none"><li>Attract global talent, operate across boundaries, meet diverse customer needs.</li><li>Require global perspective, <b>cultural agility</b>, self awareness, openness and flexibility.</li><li>Depend on their capable, self-directed teams.</li></ul>	<ul style="list-style-type: none"><li>View problems as challenges to be overcome.</li><li>Use technology for new products/services.</li><li>Work hard to stay in front trends by creating new markets.</li><li><b>Open to diverse points of view.</b></li></ul>
Change leaders	Growth leaders
<ul style="list-style-type: none"><li>Pivot the organization in anticipation of or in response to market changes.</li><li>Swiftly change the business model and lead competitors because of adaptability and foresight.</li><li><b>Master the ability to inspire and motivate people in a dynamic environment with unprecedented diverse teams.</b></li></ul>	<ul style="list-style-type: none"><li>Thrive in new, complex and crowded business environments.</li><li>See and understand how to reach, design for, and <b>serve traditionally underrepresented consumers and clients.</b></li><li>Grow business under difficult circumstances that may involve a lack of resources, fierce competition or razor-thin margins.</li></ul>



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 1,000 companies covering 12 countries, found correlations between diversity and financial performance. Companies in the top quartile for racial and ethnic diversity were 33% more likely to have financial returns above their respective national industry medians, while those in the top quartile for gender diversity were 21% 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 (McKinsey & Company 2018).

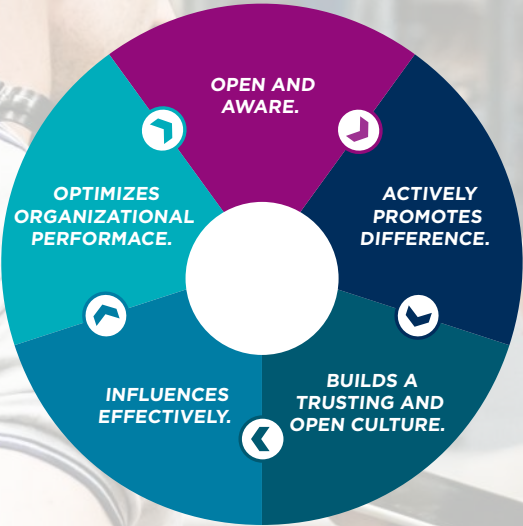
Inclusive leadership does not occur automatically. It is bolstered by individuals' exposure to diverse people and situations that challenge their preconceived notions and force them to overcome unconscious biases; everyone possesses such notions and biases to some degree. This means that inclusive leadership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

Using the Korn Ferry Four Dimensions of Leadership (KF4D), we have identified the profile of an inclusive leader through the lenses of cultural drivers, experiences, traits, and competencies.

Inclusive leaders are aware of their **cultural drivers** – their preferences for how to get things done, interact with others, and understanding the world – and how those have been shaped by their unique and diverse **experiences**. The key **traits** – personality preferences – include flexibility, adaptability, curiosity, openness, and authenticity. The key **competencies** – behaviors and skills – can be organized into five essential disciplines that have a progressive impact on the organization based on the leader's ability to harness and manage diversity. This is illustrated in the following graph (Figure 3) and explained in detail in the next section.



Figure 3



OPEN AND AWARE.	ACTIVELY PROMOTES DIFFERENCE.	BUILDS A TRUSTING AND OPEN CULTURE.	INFLUENCES EFFECTIVELY.	OPTIMIZES ORGANIZATIONAL PERFORMANCE.
<ul style="list-style-type: none"><li>• Self aware.</li><li>• Develops self.</li><li>• Values differences.</li><li>• Global mindset.</li></ul>	<ul style="list-style-type: none"><li>• Attracts diverse talent.</li><li>• Develops all talent.</li><li>• Builds effective diverse teams.</li></ul>	<ul style="list-style-type: none"><li>• Courageous.</li><li>• Manages conflict.</li><li>• Collaborates.</li><li>• Instills trust.</li></ul>	<ul style="list-style-type: none"><li>• Situationally adaptable.</li><li>• Persuasive.</li><li>• Balances stakeholders.</li><li>• Organizationally savvy.</li></ul>	<ul style="list-style-type: none"><li>• Drives vision and purpose.</li><li>• Drives results.</li><li>• Cultivates innovation.</li></ul>

# Five Essential Disciplines of The Inclusive Leader.

## 1. Open and aware.

Being open and aware requires the specific competencies of self-awareness, developing self, valuing differences, and having a global mindset. It's both about having the emotional intelligence that one has unconscious biases, and a big picture understanding that the world has been changing demographically in substantial ways.

Inclusive leaders exercising this discipline commit to addressing their biases and seek to increase their knowledge and understanding of the implications of the demographic changes on themselves, their teams, and their organization. In this they can begin to exercise the trait of curiosity and empathy needed to compare and contrast how others may be similar or different from them.

### **The power of diverse experiences.**

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.

## 2. Actively promotes difference.

Inclusive leaders are effective advocates for diversity, fully embracing the business case (see Figure 4) 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, demanding diverse slates of candidates, 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 underrepresented 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 actively promote differences, the analysis probably would not have been done, and the firm probably would have continued to lose valuable women leaders.

**Figure 4**

**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.

### 3. Builds a trusting and open culture.

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 cornerstone 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.

PepsiCo sought to address low job satisfaction rates and high intention-to-leave rates for women of ethnic and racial minorities, who also experienced longer times to promotion and lower trust scores.

**In part, this had to do with teams where there was a disconnect between managers and the employees.** A comprehensive talent solution was put in place to boost employee morale and reduce disproportionate loss among this minority group. The key component was helping managers who were mostly white male, develop greater ability to gain deeper trust from these employees through better inclusive listening.

This led to 100% reduction in attrition among program participants; turnover was slashed to less than 2% from 42% in three years. PepsiCo saw a 75% increase

#### 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 indicated 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.

in advancement for women of ethnic and racial minorities, with their representation at the senior manager/director/vice president level rising to 6.8% from 4% in two years. (Korn Ferry 2014)

Also as a result 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).

## 4. Influences effectively.

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 1) demonstrate their strengths in leveraging differences for greater insights. Enhanced effectiveness within inclusive teams benefits the entire organization.

This stage of leading inclusively for organizational impact requires leveraging diversity to achieve greater influence across the organization, balancing stakeholders, being situationally adaptable, being organizationally savvy. These are all elements of being cross-culturally agile which is having the ability to adapt one's behavior to work with other individuals and cultures and in this be able to be both more empathetic and persuasive.

This capacity is crucial in today's global, mobile, virtual, and dynamic workplace as organizations operate in diverse environments. For multinationals from developed markets to win in emerging markets, and for emerging market multinationals to expand globally, they all need leaders with the competencies to understand, influence, and motivate across varied cultures—national, regional, ethnic, generational, religious, and organizational (Hazard 2012).

For inclusive leaders to have this type of organizational impact, they must understand how their preferred cultural drivers may (or may not) be helpful and productive when working with team members and parts of an organization with different cultural and experiential perspectives.



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Contrary to conventional wisdom, the solution is not to bridge differences by always 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 employees in a way that values inclusion, they are more likely to perform at a higher level.

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. Drives results.

Inclusive leaders can truly unleash the vast potential of their diverse workforces to tap new markets, generate innovation in products, services, and processes, as well as drive greater purpose and vision. And, as organizations win recognition for not only becoming more diverse and inclusive but for actually generating differentiated business results from this, they enhance their corporate brand. This, in turn improves recruitment and retention – bringing the organizational impact full circle.



## Conclusion

Moving beyond diversity to embrace inclusion requires 21st century inclusive 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 competencies, to foster inclusive leadership at the top of the organization and to inspire an inclusive mindset and ability throughout the organization to achieve the promises of a more diverse workforce.

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