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Inclusive Leadership... driving performance through diversity!

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Executive Summary

The research commissioned by the Employers Network for Equality & Inclusion (enei) and sponsored by the CIPD, Santander, EY and Affinity Sutton, looks at organisations' understanding of Inclusive Leadership, the perception of its practice in the 11 participating organisations and links between the perception of Inclusive Leadership and self-ratings on performance, productivity, satisfaction and well-being.

The research also revisits the academic literature on the context to participative leadership, whether in terms of individual, team or strategic factors to see whether this literature is still valid or needs further refinement.

Background

Leadership in organisations matters. According to Ken Blanchard, Visiting Professor at Cornell University, leaders have a major role in setting the vision to move toward the organisation's goals, and then creating a motivating environment for people so those goals can be reached. Excellent leaders can turn a good organisation into a great one, and poor leaders can, in his view, 'send a great organisation downhill'. [1]

For a long time, Command and Control leadership has dominated organisations but a change in thinking is forcing a rethink as to the optimal style in a changing and increasingly diverse world. This prompted the Employers Network for Equality & Inclusion (enei) to undertake a study into the prevalence of Inclusive Leadership (IL) and its perceived effects in enei member organisations, aiming to produce valid and reliable responses from a newly-created survey and interviews across all levels of the organisation. The research would, at the same time, seek to establish whether IL was strongly correlated with particular organisational strategies.

Broadly, two sets of factors underpin the increased focus on Inclusive Leadership. These are a steady increase in employee diversity on the one hand and changing societal, organisational and individual values on the other. In terms of organisational values, the imperatives of greater innovation, productivity and employee engagement have served to prioritise a shift from Command and Control leadership with increased competition in the market being a major factor fueling these changes in values.

It is this wide range of factors that has inspired discontent with the heroic model of leadership and a call for something different. When taken together with the concept of Inclusion (defined as "a sense of belonging: feeling respected, valued for who you are; feeling a level of supportive energy and commitment from others so that you can do your best" (Miller and Katz, 2002)) and an increased need for organisations to respond to faster moving and more turbulent environments, IL becomes a potentially powerful concept. One of the questions explored by the new research is the shape of this new form of leadership and how it may differ from other models.

There is a view that sees Inclusive Leadership as a tool, not only to enhance diversity but also to increase business and individual performance. With a scope this wide, the impact and subsequent business case for IL is significant, since it has the potential to improve performance and innovation, create competitive edge, attract and retain talented people with diversity of thought and create an inclusive culture.

The search for a clear definition is important because, although the concept of IL has been active for a few years, it is not yet clearly defined. This may be linked to the fact that previous research on IL has cherry-picked underlying constructs and has not justified them in terms of well-established leadership models. This naturally reduces the reliability and validity of this earlier work, a problem addressed in the new research reported here.

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[1] Blanchard 2011

In order to correct this fundamental deficiency, a decision was made to underpin the new research with two well-established and well-regarded models of leadership that seemed to fit well with the concept of IL. The two models are 'Transformational' (Tf) and 'Servant' Leadership (SL), widely respected models that appeared prima facie to have a good match with many of the concepts used, piecemeal, in earlier studies of IL. The decision to underpin the IL research questions with these two models of leadership conjointly, a methodology not used in previous empirical studies of IL, brings the guarantee of greater robustness than previously achieved.

The enei research took this combination of Tf and SL styles as its starting point in order to establish whether either or both the Servant and Transformational models were compatible with an IL approach.

A further aim was to develop an understanding of whether particular business strategies prevailed in organisations with IL. This covers new ground since previous studies had not considered the strategic context in relation to IL. One recent study[2], for example, looked at the leadership contexts for explore and exploit business strategies, an 'explore' strategy being based on the exploration of fresh products, services and markets and an 'exploit' strategy focusing on existing ones. The study's conclusions did refer to leadership styles that appeared to be similar to IL but further research was needed to reliably establish the connection with IL.

As a consequence of these aims, the objectives of the enei research were to establish:

1. **A robust model and definition of IL**
2. **The extent to which IL is perceived to be prevalent in organisations**
3. **The perceived impacts of Inclusive Leadership**
   The extent to which diverse people are valued and the presence of IL affects self-perceptions of productivity, satisfaction and engagement
4. **The individual, situational and strategic context for IL**
   The extent to which an organisation's strategy and ways of working impact IL and the associated influence

Methodology

A two-part survey was conducted, measuring:

1. The perceptions of IL in the organisation and
2. Self-perceptions of performance, motivation and well-being

The survey was followed by a series of interviews with participants.

- 966 first line supervisors and non-management members of staff completed the survey from 10 of the participating organisations
- 61 interviews (with standardised questions dependent on role) were completed from all 11 of the participating organisations

It should be noted that positive outcomes of IL were explored both by the survey and by the interviews while contextual factors that might influence the presence or absence of IL were only examined in the interviews.

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[2] Hakonsson, 2012 based on March 1991

In addition to employees and managers from Affinity Sutton, CIPD, Santander and EY, seven other enei member organisations also took part in the study:

- Nationwide (participation in interviews only)
- NHS
- Network Rail
- Pitney Bowes
- PageGroup
- Pearson and
- Sodexo

Key Findings

IL Model and Competencies

FINDING 1:

A new model of Inclusive Leadership has emerged, supported by fifteen distinct competencies

The study showed that Inclusive Leaders have 15 core competencies, which are not seen together in the existing Inclusive Leadership models. These are:

1. **Individualised Consideration** - showing individual interest and offering one-to-one support for people
2. **Idealised Influence** - providing an appealing vision that inspires others
3. **Inspirational Motivation** - encouraging others to develop ideas and to be challenging
4. **Intellectual Stimulation** - encouraging creative thinking
5. **Unqualified Acceptance** - showing acceptance of everyone without bias
6. **Empathy** - being able to appreciate the perspective of others and endeavouring to understand how others feel
7. **Listening** - truly listening to the opinions of others
8. **Persuasion** - having an influence on people's actions without force or coercion
9. **Confidence Building** - providing positive feedback to boost people's self-efficacy
10. **Growth** - providing opportunities for all employees to realise potential, make autonomous and unique contributions and progress with the organisation
11. **Foresight** - being able to consider the views of others about possible outcomes
12. **Conceptualisation** - being able to focus on how employees contribute to long-term objectives
13. **Awareness** - having self-awareness of how preconceived views can influence behaviour towards others
14. **Stewardship** - showing a commitment to leading by serving others for the good of everyone rather than for self-gain
15. **Healing** - showing a respect for the wellbeing of all employees

The research concluded that IL depends on all 15 competencies being present as they are all equally important in their own right.

The coherence of the ratings suggests that the behaviours and skills required for IL are likely to co-exist in the same leaders since these leaders are likely to have a holistic approach to leadership, deeply rooted in the desire to lead through forming strong interpersonal relations with people.

It should be noted that links and differences with Servant and Transformational Leadership styles are reviewed in the body of the report.

Inclusive Leadership and Outputs

FINDING 2:

People working with Inclusive Leaders are more productive, satisfied and engaged than those working with non-inclusive leaders

The correlation in the survey between the degree of IL and self-ratings of performance, satisfaction and engagement was very high at 0.89 as well as statistically significant. This shows that there is a very strong relationship between the perceived presence of IL in an organisation and employee self-motivation and performance.

Organisations whose employees perceive high levels of IL are more likely to regard their leaders as having a positive influence on their productivity, satisfaction and engagement.

There were significant differences between the survey scores of the participating organisations. Those showing the highest ratings of self-performance also showed the highest rating for IL, demonstrating a clear link between perceived IL-levels and performance. This shows that when perceptions of IL increase, perceptions of motivation, satisfaction and engagement increase as well.

N.B. In statistical terms, any correlation higher than 0.5 would be considered a good relationship and one approaching 0.9 is very high being just short of 1.00, which would indicate an invariable link between two things.

Organisational and Individual Benefits of Inclusive Leadership

FINDING 3:

People at all levels believe that IL results in many positive outcomes for the organisation and the individual

This shows that not only is IL associated with positive outcomes but it is also acknowledged by and visible to individuals at all levels of the organisation.

The specific benefits are:
- Enhanced performance and productivity
- Enhanced loyalty
- The advance of under-represented groups
- Enhanced creativity
- Better services to clients, customers and service users
- Better teamwork
- Motivation to go the extra mile
- Higher retention
- Diverse talent pool

Inclusive Leadership Definition

FINDING 4:
A robust definition of IL:

Leaders who are aware of their own biases and preferences, actively seek out and consider different views and perspectives to inform better decision-making. They see diverse talent as a source of competitive advantage and inspire diverse people to drive organisational and individual performance towards a shared vision.

The creation of a new Leadership model, which increases performance, clearly requires a new definition. The competencies underpinning the survey and interview feedback have been used to create this definition.

A more detailed explanation would be:

An Inclusive Leader: is a role model exemplar of inclusive behaviour; listens to and seeks out the views of diverse people and takes account of these views, without bias, in the decisions they make; appreciates that a diverse group of people will generate more creative solutions to problems and encourages this; inspires people through a shared vision of future success and motivates them to deliver it; leverages difference for high performance and provides responsive excellence to customers', clients' and service users' needs; provides positive feedback to boost people's self-efficacy; puts effort into helping diverse people identify their talents and develop them for performance now and future advancement; communicates authentically and honestly in a way that inspires trust, loyalty and well-being.

The Influence of the Top Person

FINDING 5:
IL must be role modelled from the top to have the greatest impact

A very high proportion of managers perceive that the top person's behaviours and attitudes have a very strong influence on the behaviours of those working in the same organisation. Therefore, behaviour and attitudes of the top person are extremely important to drive performance.

Strategic Context

FINDING 6:
Having an organisational strategy based on 'explore' rather than 'exploit' factors will help in the achievement of IL

Organisations with the highest levels of perceived IL have a tendency to place a higher priority on the 'explore' aspects of organisational strategy (i.e. developing new products, services and markets) than on the 'exploit' aspects of strategy (i.e. focusing on the control of costs and procedures). The reverse is the case for organisations perceived as having the lowest levels of IL.

Impact of Individual Variables

FINDING 7:

Some groups (BME employees, those with over five years' service and disabled respondents) produce lower ratings of overall Inclusive Leadership than other participants.
There are no differences in overall survey ratings for the presence or absence of IL by gender, sexuality, religion, caring responsibilities (excluding non-childcare) or educational achievement

The finding that some groups of employees have higher ratings of overall IL compared to other groups suggests that employees perceive Inclusive Leadership differently.

Further research is needed to understand the root of these differences, but it may suggest that IL behaviours are embedded in corporate policies and communications but are undermined over time, as employees witness non-inclusive behaviours. This suggests the need for organisations to explore the reasons for the difference and address any barriers.

It should be noted that there is a very strong positive relationship between ratings of IL and perceived outputs amongst BME employees and those over 34. This shows that IL, when perceived by minority groups, can lead to enhanced self-perceptions of performance, satisfaction and engagement, which provides an opportunity that organisations should not ignore.

Key Recommendations

Organisations must act to develop Inclusive Leadership styles and cultures to improve performance.

enei recommend 3 key actions to ensure organisations benefit from employees who are more productive, satisfied and engaged:

1. Review recruitment and promotion criteria to ensure IL competencies are included.
Recruit, promote and retain inclusive leaders that demonstrate the 15 IL competencies to inspire and engage their teams.

2. Review management development and reward programmes to ensure IL behaviours are promoted and rewarded.
Encourage IL through all training and development programmes, building reward schemes that reinforce positive IL behaviours and expectations.

3. Monitor attitudes and culture of IL.
Identify groups of people with lower perceptions of IL, identify barriers to inclusion and take appropriate action to ensure the organisation is getting the best out of all its talent.

Note from enei

The findings of this research have confirmed our belief that IL has and will continue to have a key role to play in the success of an organisation. Implementing the recommendations will ensure organisations are maximising the contribution of their inspired and talented people.

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