## FAST FORWARD: LEADING IN A BRAVE NEW WORLD OF DIVERSITY









## JOINT FOREWORD

### LEE WHITE

## CEO, Chartered Accountants Australia and New Zealand

As a leader in 2015 I understand the need for and the importance of diversity of thought. Diversity of thought is vital to the success of our organisation. Without it I know we won't be fully equipped for the business challenges of the future.

However, success will not be achieved by diversity alone. It will require a special type of leadership. Successful leaders in the future will require different behaviours and ways of thinking. As leaders we must look at how we can be inclusive to ensure that the benefits of diversity contribute to the success of our organisations.

The latest in our **future** [inc] series "Fast Forward: leading in a brave new world of diversity" explores how the global mega trends are making diversity a business imperative.

Demographic changes and the continuing war for talent mean diverse talent will be sought after in organisations around the world. In addition, Asia's continuing economic transformation will result in diverse markets along with globalization and digital innovation requiring diverse ideas. Shaping all of this will be the leader of the future.

We're delighted to partner with Deloitte on this paper. Their insight and expertise takes the notion of leadership to a new level. We thank the team at Deloitte for their contribution to this paper.

I hope you enjoy our thinking and encourage you to join the conversation.



## **CINDY HOOK**

### **CEO.** Deloitte Australia

When I look at the economic and business challenges facing us nationally and globally, there is no doubt that diversity is a pre-requisite to the success of our business.

Our commitment to achieving equality in our workplace has been longstanding. As the war for talent intensifies, our ability to attract and develop the best talent will continue to be critical. In addition, we know that when different people with different skills and different perspectives collaborate, it enables new ideas and better problem-solving. As the business landscape becomes more complex and ambiguous, this will allow us to serve our clients more effectively.

To leverage the diverse talent and ideas of our people, and to succeed in the future, we must have an inclusive culture. This is both the responsibility and expectation of all leaders across our firm. We don't always get it right, and have a way to go.

This paper will provide all our leaders with greater insight about what it means to behave inclusively and its importance in the context of future business challenges.

Deloitte Australia is proud to have partnered with Chartered Accountants Australia and New Zealand in the development of this paper, authored by Juliet Bourke (Partner, Human Capital) and Bernadette Dillon (Director, Human Capital).

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- **3. BHP Billiton:** Mike Henry, President of Coal

- **4. The Coca-Cola Company:**John Lewis Jr, Global Chief
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- **5. Deloitte:** Clare Harding, National leader of Strategy and Operations
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Deloitte also thanks its many Australian and international clients across consumer business, financial services, mining and resources, professional services, property and the public sector, which have helped shape our thinking.



Diversity of thought, markets and talent are heightened by increased global mobility, technology and new ways to communicate. Everyone contributes and everyone benefits. But to get this right, and really **HARNESS THE POWER OF DIVERSITY** our leaders need to understand the potential, be flexible and above all inclusive.

LEE WHITE FCA

CEO OF CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

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What do leaders need to be good at today to create business success tomorrow? Five years out? Ten years out?

## INTRODUCTION

The answer to this question rests on knowing what future challenges lie ahead. We are living in an increasingly VUCA world: Volatile, Uncertain, Complex and Ambiguous – a scenario that makes it difficult to predict the future with any precision. We can be certain, however, about some of the underlying shifts that are taking place.

Some of these shifts are developing slowly and can only be seen by looking at trend indicators over a sustained period. Others are happening with speed and are visible to the naked eye. Slow or fast, their combined impact on organisations will be profound. For leaders and their advisors, they will throw up wicked problems, but for those willing and able to adapt quickly, they present enormous opportunity.

## SO WHAT ARE THESE SHIFTS?

Futurists identify five<sup>1</sup> to eight<sup>2</sup> shifts or "global megatrends". Three will have a heightened impact for leaders in Asia Pacific.

01

#### **DIVERSITY OF MARKETS**

The slow but inexorable flow of financial power from the West to the East will culminate in more than 20 of the world's top 50 cities ranked by GDP by 2050 being located in Asia, up from 8 in 2007.<sup>3</sup> This redistribution of wealth, trade and influence will see Asia home to two-thirds of the world's middle class by 2030 compared to one third today<sup>4</sup>, providing local organisations with a tantalising opportunity to access the "next billion" consumers.

02

#### DIVERSITY OF IDEAS

Globalisation, hyper-connectivity and digital innovation are changing the nature of consumption, competition, how markets work<sup>5</sup> and what consumers expect. Seemingly overnight, this has already reshaped whole industries (e.g. film, newspapers, retail, banking, universities) and iconic brands (e.g. Kodak, Borders, Blockbuster), and brought forth new players (e.g. Uber, Square). Opportunity or threat, it is a reality that has catapulted innovation — of products, processes and business models — to the top of the business agenda.

03

#### DIVERSITY OF TALENT

Shifts in education and migration flows around the globe, population age profiles (some growing younger, most aging), expectations of equality of opportunities and work/life balance are all changing the demographic shape of workforces. Unlike the shift to Asian markets or digital disruption, changes to the composition of talent pools are not new. Therefore their implications could be easily overlooked as one of the significant re-shapers of the future business landscape. However, more than ever, future success will depend on an organisation's ability to optimise its diverse and dispersed talent pool.

These shifts will make the context for leaders much more diverse – in terms of markets, ideas and talent. This contextual change demands adaptation.

To thrive if not just survive, leaders will need to think and behave differently. Of course, the core elements of leadership are timeless, such as the ability to set direction and create followership, but we see a new capability as vital to the way leadership is executed. We predict that organisational success will lie in leaders understanding what it truly means to be an inclusive leader. In sum, the ability to be an inclusive leader, in Darwin's terms, will be the "adaptive factor". Hear us out.

Taking the two exemplar elements of direction setting and followership further, traditional leadership skills have developed in the context of organisational fiefdoms, command and control hierarchies, and in localised environments. In contrast, the future landscape requires leaders to have a breadth of perspective far beyond their personal knowledge and experience, as well as organisational and national boundaries. Identifying new opportunities, making robust predictions and solving complex problems will only be possible if leaders are connected to, and include, diverse points of view. And in relation to followership, leaders will need to behave highly inclusively if they are to lead an increasingly diverse and dispersed workforce.

This paper will help leaders think about how traditional notions about what it means to be a leader must change. Our intent is not to introduce a new type of leadership; much research has been undertaken before us to identify the characteristics of high performing leaders and those fundamentals still hold true. Instead, we propose that ideas about what it means to be an inclusive leader should be woven through these known attributes. This will ensure leaders build their capability to create and lead their organisations into the future.

This paper is structured in two parts. Part A explores in more detail the foundational shifts elevating the importance of inclusive leadership – the "why care?" section. Part B pinpoints the six signature traits of an inclusive leader, and how their specific patterns of thinking and behaviours translate into business success.

To identify these traits, we have drawn on the experiences of "best-in-class" inclusive leaders in diverse sectors globally and subject-matter experts. We have also built heavily on the prior thought leadership and consulting experience of Deloitte<sup>6</sup> with respect to diversity and inclusion.

For leaders in the Asia Pacific, and beyond, we believe this paper warrants consideration for three reasons:

- It introduces six signature traits enabling leaders to move beyond the headlines and understand, at a more granular level, what it means to be an inclusive leader (beyond the current focus on unconscious bias).
- It explores how the patterns of thinking and behaviours of highly inclusive leaders will translate into future business success.
- 3. It frames the need for inclusive leadership in terms of the local context, providing Australian and New Zealand companies and institutions with insights about how to adjust to the three foundational shifts.

### VISUAL 1: THE SIX SIGNATURE TRAITS OF AN INCLUSIVE LEADER7



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## **PART A**

## THREE FOUNDATIONAL SHIFTS IN THE BUSINESS LANDSCAPE

This Part explores how does diversity and leadership interlink with the future of business, looking specifically at how inclusive leadership will help business respond to three foundational shifts.

### **FOUNDATIONAL SHIFT 1:**

ASIA'S ECONOMIC TRANSFORMATION – DIVERSE MARKETS

Asia's economic transformation has been nothing short of remarkable. By 2025, the region is forecast to account for almost half the world's GDP: home to four of the ten largest economies in the world – China (first), India (third), Japan (fourth), and Indonesia (tenth).<sup>8</sup> The global middle class population is expected to increase from 1.8 billion in 2009 to 3.2 billion by 2020, with the majority of this growth coming from Asia.<sup>9</sup>

As income levels and mobility have risen, so too has the demand for a broader range of goods and services. Asia now represents the single biggest growth opportunity in the portfolio of many organisations around the world. According to a 2014 survey by PricewaterhouseCoopers, 67% of Australian CEOs now regard China as their top destination for offshore growth. He New Zealand Government's international business agency says local exporters have regional trade advantages over US or European competitors based on their geographic proximity, political closeness and time zone efficiency with China.

## **ASIA NOW REPRESENTS THE SINGLE BIGGEST GROWTH OPPORTUNITY** in the portfolio of many organisations around the world.

Success for those chasing a piece of the pie is not guaranteed however. Geographically vast, it is a region rich in social, cultural and political diversity, with its economies at vastly different stages of development. As McKinsey & Company observes: "...even the most sophisticated multinationals must change significantly to realise Asia's growth potential", warning that "for global consumer giants, fidelity to methods that work back home can be futile."13 Deloitte agrees; "Organisations are finding the past strategies of reducing costs and exporting affordable, scaled-down versions of successful products or services may not suffice. But they also know that customising for every local market is both impractical and expensive. New approaches and new ways of thinking - about categories, cultures, and commonalities - are needed. Serving the next billion is a tantalising prospect, but reaching them profitably is anything but straightforward."14

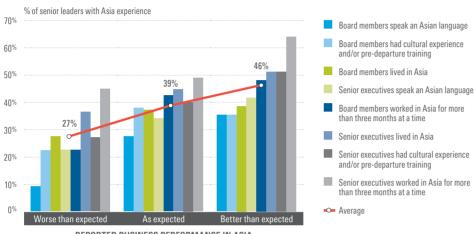
"... EVEN THE MOST SOPHISTICATED MULTINATIONALS MUST CHANGE significantly to realise Asia's

growth potential."

Deep appreciation and insight into the nuances of Asian markets and culture are required to customise an organisation's business models, product and brand strategies, and talent management practices appropriately. Having people with the right cultural and market experience is critical says John Lewis Jr, Global Chief Diversity Officer of The Coca-Cola Company: "Right now our fastest growing markets around the world are Sub-Saharan Africa, India and China. So the question of how we win in these markets is as much of how we embed ourselves in these cultures. ...the question I put to our business leaders is - even if we get all the tactics and logistics right - can we win if we don't get the people part right?"

2010 research by AsiaLink and the Australian Industry Group revealed that capability gaps and experience represent one of the biggest impediments to realising the Asian growth opportunity. According to the 380 businesses surveyed, the higher the proportion of senior leaders who have cultural training, speak an Asian language and have lived or worked in Asia, the higher the reported business performance in Asia. <sup>15</sup> Yet just half of those surveyed reported having board members or senior executives with experience in Asia or relevant language ability. <sup>16</sup>





REPORTED BUSINESS PERFORMANCE IN ASIA

Building on this, in 2012, AsiaLink identified a set of individual and organisational capabilities critical to business success in, and with, Asia.<sup>18</sup> Again, Asian experience, language ability and cultural competence were highlighted, along with the ability to build and sustain local networks and engage with Government.<sup>19</sup> That said, as Diversity Council Australia observes, not all organisations will need to increase their Asia expertise: "For some companies, Asian talent will be very important as their future market positioning features Asia strongly, whereas the focus of other companies may be mainly domestic or in other markets and so a different cultural mosaic may be more appropriate."20

In light of its super regional strategy, CEO Mike Smith reflected in June 2014 on how ANZ is developing its Asian capability: "Building a business outside of your main domestic markets... is difficult and takes enormous effort. Getting the right workforce ...is essential... It's imperative you hire people that have an intimate feel for how a market works. But this is more than just hiring locals and experienced ex-pats. ... it includes ensuring your senior leaders, the people making the decisions and setting the strategy, have the experience necessary to make the right calls. It sounds simple but is much harder in practice given the lack of sophisticated Asian experience in Western markets like Australia."21

Asia's economic transformation and its burgeoning middle class in particular, present enormous opportunities for many Australian and New Zealand organisations. Realising those opportunities depends on leaders' capabilities to work in and across that context. However, research suggests that many leaders are not sufficiently sensitised to, or connected with, Asian markets to pursue their growth ambitions. Therefore a focus on building capability, both individually and across the workforce, is paramount.

## FOUNDATIONAL SHIFT 2: GLOBALISATION, HYPER-CONNECTIVITY AND DIGITAL INNOVATION – DIVERSE IDEAS

Organisations must "innovate or die," 22 says Microsoft founder Bill Gates. A bold and stark statement, but we need not look far to see its validity. For organisations around the world, the new reality is characterised by falling barriers to trade, shifting national priorities, hyper-connectivity and digital disruption.

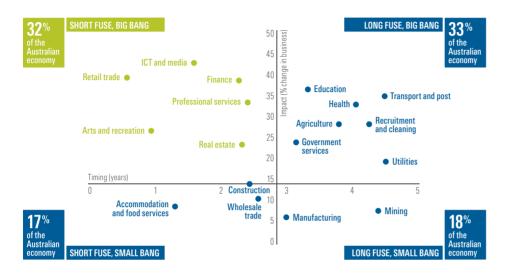
This scenario is changing the nature of consumption, competition and the way markets work, in the process redefining consumer expectations. Hyper-connectivity, for example, has altered the balance of power between monolithic institutions and consumers, emphasising the importance of customer centricity and personalisation. Similarly, it has opened the door to rivals in emerging countries, along with others closer to home who lack the infrastructure (but not agility) of existing large players.<sup>23</sup>

These conditions pose both threat and opportunity for every sector over the next 15 years. In 2012, Deloitte Access Economics estimated that 32% of the Australian economy would be susceptible to significant, imminent threat from digital disruption by 2017 and another 33% in the longer term (see Visual 3).<sup>24</sup> This prediction proved true, if not an understatement when Deloitte reviewed the impact of digital disruption in 2014.<sup>25</sup>

In June 2014 Sarv Girn, Chief Information Officer at the Reserve Bank of Australia echoed this read of the market, warning: "Ignoring the waves of digital disruption... has led to extinction for many. You only have to look at the likes of Nokia - which in spite of owning 30 per cent of the world's mobile patents (GSM) finds itself struggling to stay relevant; Kodak invented the digital camera technology, but failed to capitialise on it; General Motors produced the first commercial electric car almost 20 years ago, stopped its rollout, and now finds itself trying to catch up with the Japanese hybrids; bookstores, the music industry and newspapers - all of which were the giants of their time, now find themselves trying to avoid extinction."26

"Business success in Asia "includes **ENSURING YOUR SENIOR LEADERS... HAVE THE EXPERIENCE NECESSARY TO MAKE THE RIGHT CALLS**. It sounds simple but is much harder in practice given the lack of sophisticated Asian experience in Western markets like Australia." Mike Smith, CEO ANZ





Most organisations recognise the threats and opportunities posed by digital disruption. In a 2014 Boston Consulting Group survey of 1500 global innovation executives, three-quarters said innovation was among their company's top three priorities and 61% had increased innovation spending compared with the prior year.<sup>27</sup> Yet despite this, 83% perceive their companies' innovation capabilities to be average (70%) or weak (13%).<sup>28</sup>

Given the need to think differently, what sets apart breakthrough innovators from the rest? Clearly, idea generation is critical. Indeed, the above survey found that "breakthrough" innovators "cast a wider net for ideas" when compared with either "strong" or "disruptive" innovators.<sup>29</sup> Collective intelligence and diversity of thinking are gaining prominence as a powerful force to sense market shifts and challenge the status quo.

Despite the high priority and increased spending, 83% of executives surveyed by the Boston Consulting Group PERCEIVE THEIR COMPANIES INNOVATION CAPABILITIES TO BE AVERAGE (70%) OR WEAK (13%).

In the race for new ideas, collective intelligence and diversity of thinking are **GAINING PROMINENCE AS A POWERFUL FORCE** to sense market shifts and challenge the status quo.

> According to Deloitte, diverse thinkers help increase the scale of new insights by accessing a wider range of perspectives.30 Collective intelligence can also help guard against groupthink and overconfidence, by triggering more careful information processing than may occur in homogenous groups. As "Willful Blindness" author Margaret Heffernan wrote: "In this context, diversity isn't a form of political correctness, but an insurance policy against internally generated blindness that leaves institutions exposed and out of touch."31 Tony Arthur, Head Retail Distribution at the Bank of New Zealand, agrees: "We are living in a VUCA world and in facing that world where predictions and forecasts are less and less easy to get right, broadening the debate and including a wide variety of views is critical."

61%

had increased innovation spending

It's an alluring proposition. Yet its effectiveness relies heavily on a leader's ability to include a broad range of ideas, align diverse team members, leverage diverse strengths and actively address the potential for conflict and confusion – a dramatically more sophisticated way of assembling and managing teams. At its extreme, the broad "casting of the ideas net" will require leaders to work across the boundaries separating partners, customers, the general public and nations, for whom a traditional command and control style leadership will simply not work.32 Arthur reflected on the Bank of New Zealand's new operational paradigm: "We have been recognised for the last 3-4 years as the number one small business bank. One of key ways that team has driven results is... creating customer focus groups and bringing them into the conversation. Now this is not that clever in itself. The trick is to make sure we have the right type of customer and/or connection to the community where they can challenge us, and that we have the right people in the room, who bring the very depth and broadest of thinking from the Bank, and we get the balance of talking and listening right."

Given the capacity and speed of technology to unleash even greater levels of innovation, digital disruption is one of the foundational shifts shaping the future of business. Its effects are both profound and immediate, not only in terms of products and services, but also in terms of engagement with the global ecosystem, competition threats and operating models. In this context, a leader's capability to tap into and surround themselves with diverse thinking groups – both internally and across boundaries – will be critical to their organisation's ability to adapt.

## FOUNDATIONAL SHIFT 3: DEMOGRAPHIC CHANGES -DIVERSE TALENT

Diversity of talent is at risk of being overshadowed by the two previous shifts. This is because demographic change has a slow burn effect on population and workplace profiles. And, of course, diversity of talent is not a new topic. Equal Opportunity legislation and the proverbial "war for talent" have seen organisations pay more attention to historically marginalised population segments (e.g. women, culturally diverse groups, mature age workers, people with a disability and the Lesbian, Gay, Bi-sexual and Transgender community). Despite this, organisations around the world have generally struggled to include diverse employees. At senior leadership levels, homogeneity largely prevails.

However, leaders ignore diversity of talent at their peril. The diversity of talent imperative will only intensify over time. Leaders must adapt, even more than they currently are, to individuals within their diverse and dispersed workforce, and create environments that optimise individual and group performance.

Let's examine the fundamentals. The working population in both Australia and New Zealand is ageing. In Australia, the number of working age people for every person over 65 years old has fallen from 7.3 in 1974-75 to 4.5 people today, and is predicted to nearly halve again by 2054-55.33 In New Zealand, the proportion of the labour force aged 55 years and over is likely to grow from about one in six in 2007 to around one in four by 2020.34

The workplace is becoming more ethnically diverse too. At 30 June 2014, 28.1% of the estimated resident population in Australia was born overseas, compared with 23.8% of the population in 2004.35 While individuals born in the United Kingdom continue to represent the largest group of overseasborn residents, this number has declined from 5.6% in 2004 to 5.2% in 2014.36 Conversely, the proportion born in China and India - the third and fourth largest groups increased from 1.0% to 1.9% and 0.7% to 1.7% respectively in the ten years to 2014.37 In New Zealand, the 2006 Census showed that individuals of Asian ethnicity comprised 9.2% of the population, a proportion expected to increase to approximately 15% by 2026.38 The migration of visitors across the globe, including students, is also creating a group of highly mobile and educated workers.<sup>39</sup> By 2030, China will have more college graduates than the entire US workforce; by 2020, India will be producing four times as many college graduates as the US.40

Being inclusive will require leaders to adapt to individuals within their diverse and dispersed workforce, and to **CREATE ENVIRONMENTS THAT OPTIMISE INDIVIDUAL AND GROUP PERFORMANCE**.

To date, however, the data shows mixed results when it comes to organisations' ability to attract and develop diverse talent. The average representation of women in ASX100 senior executive positions has remained relatively consistent, from 24% in 2011 to 23% in 2014. Recent data from NZX showed that, of the 17 companies reporting in the December 2014 quarter, 15% of directors and 24% of executives were women, compared with 14% and 21% respectively for all of 2014. Similarly, while 9.6% of Australians have Asian cultural origins, this is shared by just 1.9% of ASX200 senior executives.

Many organisations are yet to turn their attention to the impact of other demographic shifts. In 2013. Chandler Macleod surveyed 480 senior business people and 672 Australian jobseekers on the advantages and challenges of increased mature worker participation. Of the employers surveyed, 44% believed changing demographics would have little or no impact on their organisation, leading to the conclusion that many were underprepared for its impact.<sup>44</sup> Furthermore, despite 61% of employers reflecting positively on older employees' productivity and crisis management skills, a similar number (60%) also commented negatively on other issues, many of which reflected myths and stereotypes.45

In future, demographic shifts will change the workforce profile even more, putting greater pressure on leaders to be highly inclusive to allow individuals to succeed regardless of their irrelevant differences (such as visible diversity). Leaders will require greater levels of adaptation of personal behaviours and organisational systems to bring out the best from this diverse talent pool.

## **PART B**

## THE SIX SIGNATURE TRAITS OF AN INCLUSIVE LEADER

## FIRST THINGS FIRST -WHAT DOES INCLUSION MEAN?

"How you can get away with not using all of your potential talent is beyond me," says Bruce Stewart, Deputy Director Strategic Initiatives, US Office of Personnel Management. "The lifeblood of an organisation is the uninterrupted flow of ideas, identities and information. And when those three things are distributed in a balanced way – when ideas aren't just shut off, or whatever identity an individual chooses to have is not stifled and information is not segregated – then that organisation has the opportunity to be successful."

Deloitte's research reveals that inclusion is a dynamic process of active engagement and adaptation to other people.<sup>48</sup> More pointedly, when employees feel respected and are treated fairly, when their unique value is known and appreciated, and they have a sense of belonging, then they will feel included.<sup>47</sup>

Inclusive leadership is about: (1) treating people and groups fairly, i.e. accordingly to their abilities rather than an irrelevant demographic characteristic or stereotypes, (2) personalising individuals, i.e. understanding the uniqueness of team members, customers and key stakeholders and (3), using this knowledge about individuals to make teams smarter.

their confidence to speak-up and

motivation to do their best work.

Bringing this back to the three foundational shifts in Part A, in the context of:

- Diverse talent when employees feel highly included, they are more engaged in their work, more likely to stay, advocate and go the extra mile for their employer.
- **Diverse ideas** when employees feel highly included, they are more willing to speak up with new or alternative views, enhancing decision making.
- Diverse markets when these ideas come from individuals with different backgrounds and
  life experiences (e.g. culture), new opportunities and greater insights are identified in new
  markets or untapped customer segments through, for example, customising product and
  brand strategies.

In all these cases, a leader casts a powerful shadow on an organisation's culture. When employees see and experience leaders behaving inclusively, they too will adapt their own behaviours and actions to the benefit of others, including customers.

**VISUAL 4: DELOITTE INCLUSION STAIRCASE<sup>48</sup>** 

of treatment and creation of a "level

playing field" for diverse talent.

FAIRNESS AND RESPECT	VALUE AND BELONGING	CONFIDENCE AND INSPIRATION
Foundational element and underpinned by ideas about equality	Focuses on the uniqueness of individuals being known and	Focuses on creating the conditions for team high-performance, through

## THE SIX SIGNATURE TRAITS OF AN INCLUSIVE LEADER

appreciated.

Our research shows best-in-class inclusive leaders demonstrate six signature traits – in terms of what they think about, and what they do – that are reinforcing and inter-related. This is not to say other people-orientated capabilities are not important (e.g. empowering others) but inclusion has very specific characteristics.

VISUAL 5: THE SIX SIGNATURE TRAITS OF AN INCLUSIVE LEADER					
1	2	3	4	5	6
Committed	Courageous	Cognisant	Curious	Culturally intelligent	Collaboration

### **TRAIT 1: COMMITTED**

## A highly inclusive leader expends time, energy and resources on diversity and inclusion

"Being inclusive is a big challenge," says Clare Harding, Head of Strategy and Operations Consulting at Deloitte Australia. "It takes energy, it takes effort, it takes mind space, and I think it's actually harder than being a non-inclusive leader. But the outcomes are so much better, it's worth it." Harding has zeroed in on why being an inclusive leader is difficult: it takes time and it takes energy, two of a leader's most precious resources. So what motivates a leader to expend those resources in the pursuit of inclusion? Moreover, how can leaders motivate others to build a culture of inclusion?

Clearly, an understanding of the commercial imperative is critical, and Part A has addressed that issue. "The business case is pretty obvious," says Donald Fan, Senior Director in the Global Office of Diversity at Walmart Inc., "Win the war for talent, drive innovation and enhance our customer relevance."

Intriguingly, however, most of the best-inclass leaders interviewed for this paper cited the extrinsic reward of enhanced business performance as a secondary motivator. Their first motivation point was aligned to personal values and a deep seated sense of fairness. As Mike Henry, President of Coal at BHP Billiton, volunteered, "There are probably three elements that motivate me to be inclusive. The first is the values aspect. Not just for diversity but inclusion. This aligns well with my personal values and our corporate values. Secondly, I tend to be someone who is very rational and there is a very strong business case for both diversity and inclusion. Thirdly, I am someone who has a lot of energy for excellence, and if you really want to have this as both an individual and collective, you have to have an inclusive culture."

"One way I talk about diversity is to give examples of situations where a leader has 'let a voice in' successfully... where the inclusion of someone's opinion has **CHANGED**THE OUTCOME FOR THE BETTER."

Susan Lloyd-Hurwitz, Mirvac

Henry's insight is consistent with findings by the US-based think tank Catalyst. In 2009, Catalyst found a strong sense of fair play was the most significant predictor that men would champion gender initiatives in the workplace. According to Catalyst, "with just a small jump in respondents' sense of fair play, the likelihood of being identified as a champion increased more than three-fold." 50

Interestingly, Catalyst also observed that "their commitment to fairness ideals was rooted in very personal and emotional experiences." This finding has particular resonance for Adam Powick, Global Executive at Deloitte, "At school... it was very much an in-group and out-group that I experienced. And I have always had sensitivity to any form of exclusion that comes from a person." Powick then goes on to say, "And as a business leader, it is a really deep view that a diverse talent pool provides a better overall result, particularly in thinking differently and innovation."

So what does this mean for the way leaders can motivate others? In his extensive body of work on successful change efforts, John Kotter emphasises the head-heart strategy. According to Kotter, while engaging the minds of individuals through logical, rational arguments is important, "people change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings". Se Kotter believes the opportunity to "see and feel" issues or visualise solutions is essential in committing others to challenging goals. Sa

"The business case is compelling, but for this to work, you need to connect to the minds and the hearts", agrees Lewis Jr, cautioning, "But, we are not always comfortable talking about the hearts in the workplace." According to Dr Rohini Anand, Senior Vice President and Global Chief Diversity Officer at Sodexo: "There is no cookie cutter approach. And you have to see what's in it for them. Unless they see the value for them, they won't want to engage. This gets them focused intellectually. You then have to hook them emotionally."

So what does this hook look like? She explains: "We have had them mentoring someone who is different from themselves, to get to know them personally. It is about giving people experiences – mentoring, conversations, putting them out in the community."

Anand's change strategy is at once both simple and very sophisticated. Its simplicity lies in the simple tactic of leaders exposing themselves to others' experiences, especially those in positions of disadvantage. On the other hand this type of "perspective taking" is a highly sophisticated activity, requiring leaders to step back from their personal world view and take a broader perspective. It is this ability to not only "see" but to emotionally connect with others' views, that enables a leader to see their own world through different eyes, which helps compel change and reinforce active engagement.

Intuitively we know that exposure to difference, especially when it combines intellectual and emotional elements, is a highly disruptive moment. In one interview, a leader talked about the way their international experience (a "see and feel" situation) helped broaden their perspective:

"I have lived and worked in six countries, in a significant spectrum of environments and cultural backgrounds. ... I think every developed country is far more global than others may perceive... If you take the Muslim population in Australia, it is about 2% of the population. But if you go to Western Sydney, it is higher. So if you are a business operating in Western Sydney, you need to be far more attuned to the particular nuances of that customer base."

We suspect that combining intellectual and emotional elements enables leaders to speak about diversity and inclusion in an authentic and compelling way. According to Powick, inclusive leaders have an "authenticity about the agenda, and a consistency about it as well. It is in their communications. People look at them and say they are 'fair dinkum'." For Anand, this contrasts with those who are not committed: "It is not necessarily people saying overt things... They are just mouthing words without internalising it. Therefore it is shallow and not sustainable." Importantly, this combination can help leaders inspire others through compelling story-telling as Susan Lloyd-Hurwitz Mirvac CEO and Managing Director explained in a recent interview: "One way I talk about diversity is to give examples of situations where a leader has "let a voice in" successfully... where the inclusion of someone's opinion has changed the outcome for the better. These stories help people understand what gender balance and inclusion can actually deliver to the business."54

More than just talking, the importance of diversity and inclusion is reflected in the dedication of time, energy and resources by inclusive leaders which signal that **A VERBAL COMMITMENT IS A TRUE PRIORITY.** 

Yet highly inclusive leaders also appreciate that a disconnect often arises between what a leader thinks he or she is saying, and what is actually being heard. As Juliet Bourke writes in a 2014 Catalyst blog: "Simon Rothery, the CEO of Goldman Sachs Australia and New Zealand, wondered whether his staff was really hearing his message that diversity is critical. We talked about Deloitte research showing that leaders often think they are communicating their commitment clearly, but staff report hearing silence on the topic. This is usually a question of relativity: leaders are talking about diversity, but not to the same extent as other business priorities. In an environment of information overload what gets said less frequently can be missed completely. After this conversation, Simon Rothery decided to earmark a place for diversity in every significant communication moment. Now, whether he's talking to new employees, the media, or his staff, he makes sure to include diversity as one of the five key messages he wants to impart. It's a deliberate strategy to ensure his message gets heard."

To this point, Mike Bush, Commissioner New Zealand Police, measures the impact of his communications in terms of hearing his own words relayed by front line employees: "The thing that makes me really proud is when I hear the front line using the language and demonstrating their understanding of the new direction." <sup>55</sup>

More than just talking, when leaders dedicate time, energy and resources to inclusion, this signals that a verbal commitment is a true priority. Juliet Bourke again: "For Alan Joyce, the CEO of Qantas, that realisation led him to audit his diary over a six-week period to review the amount of time he was allocating to his women mentees and test whether it matched his personal commitment to advancing women through mentorship. Alan's intent turned out to be reflected in his actions—but the audit was hugely symbolic in its own right and served as a model for other leaders in his organisation."

## WITH RESPECT TO **COMMITMENT**, BEST-IN-CLASS INCLUSIVE LEADERS:

### What do I think about?

## Alignment to personal values of fairness

- Commercial value of diversity and inclusion with respect to talent, customer and innovation and problem-solving
- Taking personal responsibility for action.

#### What do I do personally?

- Communicate frequently, authentically and engagingly the case for diversity and inclusion
- Prioritise time, energy and resources towards diversity and inclusion.
- Seeks feedback of the impact of their leadership shadow.

### What do I do for others?

- Articulates the "what's in it for me" and facilitates compelling experiences to ignite the active engagement of followers
- Utilises extrinsic motivation tools appropriately (targets, accountability, rewards, recognition).

## **TRAIT 2: COURAGEOUS**

A highly inclusive leader speaks up and challenges the status quo, and acknowledges their personal limits

"The early adopters of this work have been... perceived as mavericks in their environment" says Lewis Jr. "Frankly, they need to be a bit courageous, because this bucks the trend. For leaders, they need to make a decision as to whether they dig in and entrench as they are, or recognise the world as it will become, and be part of the change..." The courage to speak up, challenge others and the status quo is a central behaviour of an inclusive leader and it occurs at three levels: with others, with the system, and with themselves.

## "FRANKLY, LEADERS NEED TO BE A BIT COURAGEOUS, because this bucks the trend."

John Lewis Jr, The Coca-Cola Company

Challenging others is perhaps the most expected focus for leaders. For Harding, courage includes gently challenging followers to see their behaviours and the impact they have on others. "I talk (to my team) about how I came across in that meeting," says Harding. "But I also give them really regular feedback; 'Did you know you did that in that meeting, how others may perceive that?' It's really important to make the feedback regular... on the ground coaching is critical."

In a much more direct and confrontational way, and one appropriate to his context, the former Chief of the Australian Army, Lieutenant-General David Morrison, told his soldiers and officers in a now infamous video<sup>57</sup>, "I have stated categorically, many times, that the Army has to be an inclusive organisation, in which every soldier, man and woman, is able to reach their full potential and is encouraged to do so. Those who think that it is OK to behave in a way that demeans or exploits their colleagues, have no place in this army...On all operations, female soldiers and officers have proven themselves worthy of the best traditions of the Australian Army. They are vital to us, maintaining our capability now, and in to the future. If that does not suit you....then get out." To create enduring change, Morrison introduced "Respect" as a new and explicit value for Army which, when framed in the context of Army's traditions, ensured that the change was both symbolic and highly impactful.

Courage comes into play, in particular, in a preparedness to take a different approach to the traditional path which may have seen to serve the business well in the past. Highly inclusive leaders think about whether existing settings promote high performance and transformation or, conversely, maintain similar ideas and similar people. Powick explains: "We are a very traditional business. We have expected people to grow up the same way for 50 years... senior manager, director, and partner. Our metrics haven't changed in years. ...the number one thing I have done is revamp our performance management system. This came from a frustration that it was very one dimensional; that only certain people were getting through the system. I had to bust this entirely."

Similarly, in the 1980s McKinsey changed its recruiting practices to promote divergent thinking and meet a demand for a larger volume of consultants. Instead of continuing to recruit from a narrow pool of MBAs from the top US business schools, McKinsey's Advanced Professional Degree Program (APD) sought out talent from industry and from broader non-business university schools.<sup>58</sup>

Where courage came in was the preparedness to challenge the status quo, and then to address the initial bias for MBAs, which resulted in APDs being sidelined and failing to make partner at the same rate as MBAs. Courageous partners talked with their peers one-on-one and sought personal promises of commitment to support APDs, they briefed the partnership evaluation committee on the need to evaluate performance objectively, and they "intervened when necessary to improve their chances of 'fitting in'."59 Today, "20-30 percent of North American associates are now classified as APD, compared to 10 percent in the early 1990s."60 Looking back on it now, Brian Rolfes (Administrative Principal and Director of Firm Recruiting McKinsey) comments, "The diversity of background helps our problem solving, which is at the heart of what we do" and industry experience and discipline knowledge provides "instant credibility with executives in that kind of industry".61

Finally, inclusive leaders have the courage to speak out about themselves, to reveal, in a very personal way, their own journey to being inclusive. There's a vulnerability to being an inclusive leader because confronting others and the system immediately invites the spotlight to turn on the speaker. Instead of shying away from the challenge of imperfection, or entering the fray with bluster and bravado, highly inclusive leaders adopt an attitude of humility. In 2014, US-based think tank Catalyst identified "humility" as one of the four leadership behaviours that predicated whether employees felt included. 62 Yet as Catalyst rightly pointed out, it is the one attribute that is "most antithetical to common notions of leadership."

THERE'S A VULNERABILITY TO BEING AN INCLUSIVE LEADER because confronting others and the system immediately invites the spotlight to turn and focus on the speaker.

In the context of inclusion - how is humility demonstrated? Best-in-class inclusive leaders talked about their personal acknowledgement of bias (as well as a desire to change that state) and work to identify their own mistakes. Henry employs three strategies to respond to his own blind spots: "One, I am very open about my blind spots, and the things I'm working on. Two, I do seek quite regular feedback from peers and subordinates, and three I do try to stay attuned." It's a strategy with obvious multiplier effects. Henry again: "A bit of personal disclosure goes a long way. In the lead up to our (Inclusive leadership) training, I did the Harvard Implicit Association Test. And I was absolutely open (about the outcome) with my team. I said this is a really important thing from a values perspective, but I know that I have subconscious biases, I am not as inclusive as I want to be."

Humility, according to Catalyst, also encompasses learning from criticism and different points of view, and acknowledging as well as seeking contributions of others to overcome one's limitations. Yet it is difficult for leaders in the public spotlight to admit they don't have all the answers. Courage and humility therefore go hand in hand, "To be a good inclusive leader, you must have humility. You have to understand your strengths and weakness...and what you actually can't do", says Harding. Anand agrees, "Those (leaders) who lack self-awareness and lack humility to learn and admit they don't know everything; these would be leaders who miss an opportunity to learn and will be blind-sided if they are not careful."

For the less inclusive leader, the requirement to be vulnerable is countermanded by a belief that their decisions are good, if not "good enough", and therefore including diverse viewpoints is effort that is not worth the pain. Lt Gen Angus Campbell, current Chief of Army puts it this way: "I think that for many senior executives... 80% is gut feel, I'm the CEO and I've done this and I know the business. Inclusion means you are going to get the extra 20% and that is the difference between being the market leader, the market innovator, the head of the game. You are going to get that extra 20% from the others... I think when you don't have an inclusive circumstance, you ride the 80% wave, but... that is the wave to obsolescence, not to next opportunity."

#### WITH RESPECT TO COURAGE, BEST-IN-CLASS INCLUSIVE LEADERS: What do I do for my What do I think about? What do I do personally? What do I do for my team? organisation? Be on the front foot Help others to see Acknowledging Challenge entrenched strengths and of change – an active the impact of their organisational attitudes blind spots change agent behaviours and practices that promote homogeneity · Correcting biases · Speak up about · Set explicit standards to personal biases, guide others' behaviours Make impactful Learning from criticism challenges and goals symbolic changes. and different points Hold others to account Seek feedback from of view. Make tough decisions diverse others to fill with respect to team personal gaps appointments. Behave humbly, acknowledging personal limitations and vulnerabilities.

## **TRAIT 3: COGNISANT**

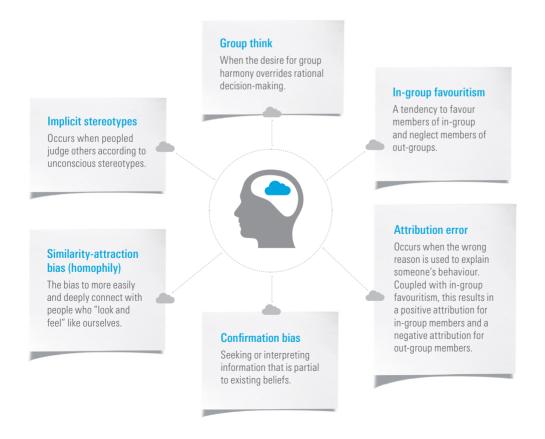
## A highly inclusive leader is mindful of personal and organisational blind spots, and intervenes

"The leaders that are inclusive do a couple of things," says Anand. "At the individual level, they are very self-aware and they act on that self-awareness. They acknowledge that they don't know what they don't know. And they acknowledge that their organisations, despite best intentions, have unconscious bias and put in place policies, processes and structures in order to mitigate the unconscious bias that exists."

Biases are a leader's Achilles heel, resulting in decisions that are demonstrably unfair and irrational. Highly inclusive leaders are deeply aware that biases (both conscious and unconscious) can narrow their field of vision and prevent them from making objective decisions.

Inclusive leaders are highly sensitised to two fundamental phenomena: personal biases, such as homophily and implicit stereotypes; and information processing biases, such as confirmation bias and group-think. Importantly, they are cognisant of the situations and factors that cause them to be most vulnerable to their pull, such as time pressures and fatique.

VISUAL 6: EXAMPLES OF SUBTLE BIASES THAT CAN NEGATIVELY IMPACT THE WAY WE SEE OTHERS AND THE DECISIONS WE MAKE



Highly inclusive leaders exert considerable effort to learn about their own biases, self-regulate and develop corrective strategies. Without these interventions, they understand their natural state is one of self-cloning and self-interest, and that success in the modern collective workplace requires a different approach.

Henry is aware that recruitment is a vulnerable moment for him: "I am very clear about the type of person I gravitate to when hiring. Consciously, I put all sorts of checks and balances in place with respect to the thinkers I gravitate to. There have been times when I have overridden my opinion with others' advice, and it has worked out spectacularly."

At Walmart Inc., leaders have been encouraged to focus on understanding micro-biases in the form of non-verbal cues, both in relation to diverse talent and diverse customers. As Fan explains, "What we are really dealing with is the nuances, when we do a day-to-day interface with customers and associates colleagues. What does our body language reveal? It's about being mindful of these non-verbal cues."

Henry recalls feedback that his body language doesn't always match his words: "When I am starting to come to a strong view, and I have an insight, I push myself back from the table. It was my physical means of making myself smaller. The other thing they picked up on is my tapping foot... When I get a bit impatient, I will be calm faced, but my leg taps. It inclusion is a lot of effort."

A deep understanding of self also leads inclusive leaders to assess how their default settings may differ from, and impact others. Indeed, this light bulb moment for Harding led her to adjust her behaviours, with demonstrable improvements in terms of team performance: "In some recent leadership training that I did, my coach starting asking about the individuals in my team, and how much I knew about them. It was a real eye opener. I am a strategist and big picture thinker, so I would set a direction for the team with 4-5 priorities underneath. It was only when the coach pointed out that there was someone on my team who was more detailed about how they go about things that I completely changed my style with that person. It has totally changed the way they have interacted with the team, in terms of discretionary effort and positivity."

Highly inclusive leaders exert considerable effort to **LEARN ABOUT THEIR BIASES, SELF-REGULATE AND DEVELOP CORRECTIVE STRATEGIES.** 

Without these interventions, they understand their natural state is one of self-cloning and self-interest...

Highly inclusive leaders think about three elements of fairness within the workplace, particularly as they relate to diverse talent<sup>64</sup>:

- Outcomes ("distributive fairness") "Are outcomes such as pay and performance ratings, as well as development and promotion opportunities, allocated on the basis of capability and effort, or does their distribution reflect personal, historic and systemic bias?"
- 2. Process ("procedural fairness") "Are the decision-making processes and policies I apply in the allocation of those outcomes (a) transparent, (b) applied consistently, (c) based on accurate decisions, and (d) include the views of individuals affected by the decisions or are they tinged with bias thus leading to undeserved success for some and failure for others?"
- 3. Interpersonal and informational fairness "Do I explain to those affected the process applied and the reason for the decision made, and do I treat people respectfully in the process, or do I privilege some and neglect others?"

Highly inclusive leaders seek to pinpoint moments that work to create covert and subtle advantage for some and subtle disadvantage for others, perpetuating homogeneity and undermining inclusion. This understanding led Alan Joyce to put strategies in place to mitigate the impact of bias in performance conversations: "In the past, people's opinions and biases were often at the forefront of our talent discussions. We embarked on a strategy to take out bias - using external assessments, global benchmarking, leadership and "potential" data. Now we have a more objective and collective view of talent. This enables us to confidently discuss career planning, mobility and the benefit of getting different critical experiences across diverse business segments."65

## WITH RESPECT TO COGNISANCE, BEST-IN-CLASS INCLUSIVE LEADERS.

## What do I think about?

### Accept the reality of bias and have concern for its impact

 The impact of micro behaviours (e.g. messaging through non-verbal cues).

## What do I do personally?

- Learn about personal blind spots
- Self-regulate thinking and behaviours
- Seek feedback on the fairness of outcomes, process and information access in decision-making
- Be conscious of moments vulnerable to bias such as information overload and fatigue.

## What do I do for my team?

- Create a shared language and understanding about biases, to promote non-judgemental feedback
- Encourage others to learn about their own blind spots.

## What do I do for my organisation?

- Initiate an audit of the fairness of organisational systems with respect to talent, customers and stakeholders
- Employ strategies to mitigate system and process biases.

## **TRAIT 4: CURIOUS**

A highly inclusive leader has an openmindset and desire to understand how others view and experience the world

"There's two key parts that I think about (in the context of inclusion)," says Campbell. "One is: Do I know the people who I am working with sufficiently such that I can practically include them effectively? You have enough of a connection that you recognise them as individuals. And number two is, I think you really need to like hearing divergent but considered opinions, and then be comfortable with making a decision."

Highly inclusive leaders accept the limitations of their world view and hunger for the views of others to complete the picture. This sense of incompleteness helps drive behaviours associated with curiosity and openmindedness – a thirst for continual learning. They are also skilled at synthesising diverse perspectives to optimise decision-making.

Highly inclusive leaders adopt an openmindset, especially when listening to new information or engaging in new experiences. They withhold fast judgements, are tolerant of ambiguity and look for context to explain individual behaviours. They give weight to the insights of others. Such behaviours do not come easily. Time and effort is required to actively engage with diverse others. But the result is loyal followers who feel that their uniqueness is valued. In a virtuous circle, open-mindedness and curiosity encourage connections with diverse others, which in turn builds a leader's perspective-taking capabilities. As a by-product, when faced with a broad set of ideas and possibilities, these behaviours help leaders to amass a spectrum of ideas and make more robust decisions in an unknown territory (let's say, the Asian market).

While intent is important, highly inclusive leaders are acutely aware of how ineffective their curiosity and perspective taking behaviours can be if diligence is not applied. Being present and actively listening to diverse others is a core skill. Campbell says about his own efforts: "I try to listen. And I try to understand why someone's opinion is different to mine. And I think in those two efforts, in trying to listen you are both recognising the individual and you are respecting them, and you're giving pause to analyse, compare, complement and question your own beliefs. And in giving space in trying to understand the difference of opinion, you are giving space for the project, or the initiative or the program you are dealing with, to become better."

Harding agrees: "(Inclusive leaders) take active listening to another level. You need to demonstrate that you have heard them. People need to feel they can influence their leader, and other people need to see that they can too. If only people in the clique can influence their leader, you are not an inclusive leader. You don't need to be indecisive and engage in leadership by committee. You need to explain why you have chosen a different route; not that you have just ignored them. You need to visibly listen, make decisions and provide explanations about why you made decisions."

Research supports the insights of Lt Gen Angus Campbell and Clare Harding, demonstrating that curiosity and perspective-taking have a multitude of benefits<sup>66</sup>, some of which are directly relevant to the foundational shifts discussed earlier. In the context of people (talent, consumers and clients), perspectivetaking has been shown to be an effective strategy in mitigating the risk that others will be judged according to a group stereotype. Putting that another way, when a leader is able to interpret another's behaviour or ideas without the bias of a stereotype, it helps them relate to it and thus adapt to it. Taking this further, an inclusive leader will refrain from passing judgement until the last possible moment, avoiding the bias to favour one's own in-group with a more positive value judgement.

The difference between highly inclusive leaders and less adapted leaders, is **A MINDSET WHICH PLACES WEIGHT ON THE INSIGHTS OF OTHERS** and behaviours of curiosity and relatedness with diverse individuals.

This ability to perspective-take is also critical in negotiations, particularly when negotiating across cultural boundaries. It increases an "individual's ability to discover hidden agreements, and to both create and claim resources at a bargaining table." From an innovation standpoint, perspective taking has been shown to improve diverse team creativity through the constructive exchange, discussion and integration of others' views and suggestions. 88

WITH RESPECT TO <b>CURIOSITY</b> , BEST-IN-CLASS INCLUSIVE LEADERS:			
Think about	Do – self	Do – others	Do – systems
Seeing a bigger picture     The value in others' insights.	<ul> <li>Engage in active listening, including being present</li> <li>Withhold fast judgements</li> <li>Are tolerant of ambiguity</li> <li>Look for contextual explanations (perspective take)</li> <li>Relate others' explanations to own context</li> <li>Adapt to new insights.</li> </ul>	<ul> <li>Encourage perspective taking</li> <li>Use the word "context"</li> <li>Encourage respectful questioning</li> <li>Counter value judgements.</li> </ul>	<ul> <li>Ensure sufficient time is provided for active listening during meetings</li> <li>Ensure opportunities are created for context sharing</li> <li>Actively communicate contextual information (eg about Asia or religious holidays).</li> </ul>

## TRAIT 5: CULTURALLY INTELLIGENT

## A highly inclusive leader is confident and effective in cross-cultural interactions

As described earlier, cross-cultural understanding by leaders is vital, particularly in relation to Asian business opportunities and engaging with diverse talent and stakeholders. For leaders high in cultural intelligence, the ability to function effectively across cross-cultural situations is about more than just having a mental map of different customs and norms. It includes understanding how a leader's own culture impacts their worldview, how cultural assumptions and stereotypes influence their expectations of others and how communication and behaviours should be adapted in different cross-cultural situations.

We have already touched on these in relation to one's self-awareness of bias (Trait 3: Cognisant) and perspective taking and understanding others' behaviours and ideas (Trait 4: Curious). The other side to this cultural intelligence coin is a deeper understanding of how one's own world view has been created within a cultural context, along with knowledge of cultural norms, practices and conventions themselves.

For example, in Japan products retailing for ¥9.99 are unlikely to sell because the number 9 (pronounced ku) is a homophone for suffering and therefore to be avoided. In such a situation, an inclusive (Australian or New Zealander) leader would look for the reason why number 9 is viewed differently in Japan, and then they would seek to relate to that explanation by looking for an example of a similar number bias influencing a consumer decision, e.g. products retailed for \$6.66 or floors labelled 13.

Many of the behaviours discussed above are encapsulated in the cultural intelligence model developed by researchers Earley, Ang, Van Dyne and colleagues. According to the model, cultural intelligence (CQ), reflecting an individual's ability to function effectively in culturally diverse situations, comprises four elements:

- Motivational: The leader's energy and interest towards learning about, and engaging in, cross-cultural interactions.
- Cognitive: The leader's knowledge of cultural norms, practices and conventions.
- Metacognitive: The leader's level of conscious cultural awareness during interactions.
- Behavioural: Appropriate verbal and nonverbal actions in leader interactions.

Visual 7 provides some examples of what leaders high in cultural intelligence think about and do with respect to each element. More than just a theoretical framework, research has demonstrated the positive relationship between CQ and a range of important business outcomes, including cultural adaptation, expatriate job performance, global leadership, intercultural negotiation effectiveness and team processes in multicultural teams. When leaders are exposed to, and really engage with cultural difference, it can also help build strategic decision making capability. Importantly, research shows that CQ can be developed through education, travel, international assignments and other intercultural experiences.

VISUAL 7: THE CULTURAL INTELLIGENCE MODEL, AND WHAT BEST-IN-CLASS LEADERS THINK ABOUT AND DO73

EI	ement	Refers to:	What leaders high in Cultural Intelligence think about and do:
1	Motivational	An individual's capability to direct energy towards learning about and operating in culturally diverse situations.	<ul> <li>Value the benefits of cross-cultural encounters</li> <li>Are confident they can cope with the challenges of cross-cultural encounters.</li> </ul>
2	Cognitive	An individual's knowledge of norms, practices, and conventions in different cultures.	<ul> <li>Have sophisticated mental maps of general cultural environments to understand the diverse range of cultures that might be encountered (e.g. individualism vs collectivism)</li> </ul>
			<ul> <li>Have relevant culture-specific knowledge to operate effectively within a specific domain (e.g. specific country or specific subculture within it).</li> </ul>
3	Metacognitive	An individual's level of conscious cultural awareness during crosscultural interactions.	<ul> <li>Understand how their own culture influences their thinking and behaviours</li> <li>Use cultural mental maps as a starting point for interactions and interpreting individual behaviours</li> <li>Plan ahead before encounters, have a heightened awareness of what is and is not happening in the moment, and check their mental maps based on their interactions</li> <li>Suspend judgement until enough information is</li> </ul>
4	Behavioural	An individual's capability to exhibit culturally appropriate verbal and nonverbal actions in intercultural interactions.	available to make sense of intercultural interactions.      Are flexible and adapt actions to suit the cultural context      Consider appropriate verbal behaviour (e.g. speed, tone, use of pause/silence)      Consider appropriate non-verbal behaviour (e.g. gestures, facial expressions, body language, physical contact)      Consider appropriate speech acts (e.g. requests, invitations, apologies, gratitude, disagreement, and saying "no" are expressed appropriately).

## **TRAIT 6: COLLABORATIVE**

A highly inclusive leader connects diverse individuals, and creates the conditions for formal and serendipitous collaboration to occur

"My motivation to be an inclusive leader is very simple," says Campbell. "It is the possibility that we can do great things. And it is about we, because no individual in a complex connected world can achieve great things for their nation or their business, or for a particular field of study, in isolation. And I think adopting inclusive approaches is how we can achieve great things."

Of the signature traits, it is collaboration which perhaps has the clearest link to the foundational shifts, and innovation and customer responsiveness in particular. Research on collaboration shows organisations that prioritised collaboration were twice as likely to outgrow competitors compared with those that didn't.

But while collaboration amongst similar people is comfortable and easy, the challenge and opportunity thrown up by the foundational shifts is collaboration with diverse others: employees, customers or other external stakeholders.

Like Campbell, Bruce Stewart, Deputy Director of Strategic initiatives, US Office of Personnel Management views shift from the I to the we as imperative for leaders: "So the premise for us is that the old IQ was focused around individual intelligence. The new IQ is based on more of a group intelligence. The old IQ is about how smart you are; the new IQ is about how smart you make our team. We think this is a paradigm shifting approach, and if you take it to heart, it will change the way you lead. Instead of the leader leading from top of the pyramid, they lead from the middle of the circle."

Leading from the middle of the circle implies that highly inclusive leaders play a critical role in: (1) connecting diverse group members (those within formal organisational boundaries and those outside) and (2) creating the conditions in which these individuals are willing to contribute their unique perspectives.

## "IT IS THE POSSIBILITY THAT WE CAN DO GREAT THINGS. AND IT IS ABOUT WE,

because no individual in a complex connected world can achieve great things for their nation or their business, or for a particular field of study, in isolation. And I think adopting inclusive approaches is how we can achieve great things." Lt Gen Angus Campbell, Army

In this way, highly inclusive leaders appreciate that effective collaboration starts with understanding those factors that actually cause individuals to think differently. According to Deloitte, this will allow organisations to operationalise faster ideation by purposefully aligning individuals to certain teams and jobs on the basis of skills and experiences as well as differences in the way they think.<sup>74</sup>

Highly inclusive leaders understand the factors that may inhibit diverse ideas from being voiced, or heard, and actively work to mitigate these effects. They are deeply aware of the biases that influence team dynamics and work to undermine rational decision-making. For example, likeminded team members are drawn towards each other when testing ideas, confirmation bias causes individuals to reference only those perspectives in a group that conform to pre-existing views, and in-group favouritism causes some team members to cluster. Highly inclusive leaders are also attuned to specific historical challenges and differences that have created fault lines across a group, understanding that these may detract from individuals' desire to collaborate with others in the first place. Further, highly inclusive leaders understand that people are most collaborative when they feel safe to contribute without fear of embarrassment, rejection or punishment. They understand that power differences, dominating styles and low tolerance of differences can stop team members from speaking up.

Building on the art of listening discussed earlier, Campbell believes the "art of pause" is extremely powerful in creating the conditions where people feel comfortable to speak up: "Just let a little bit of comfortable quiet give people permission to speak... to know that we are all able to make a contribution and we're not jumping to the decision the moment we sit down to the table. ... you are looking for the quiet ones who haven't spoken because they might have been doing a whole lot more thinking than some of the louder ones in the room, if you are doing that then what you are actually doing is projecting permission to engage, permission to be imaginative, permission to think outside of the business rules."

The diversity of ideas within a group carries with it the risk of conflict. Consequently highly effective inclusive leaders are skilled in conflict resolution, drawing on those skills when tension arises due to different ways of thinking or approaching problems. In this regard, they draw heavily on their active listening and perspective-taking skills discussed earlier, employing strategies such as asking team members to argue for another person's perspective, which can help a person to connect with that point of view. Additionally, inclusive leaders focus team members on their shared objectives and superordinate goals, creating a "team identity".

Moreover, inclusive leaders adapt their communication style and processes to meet the needs of diverse team members. Whether team members are co or remotely located, working full-time or flexibly, operating in a second language, introverted or extraverted, the inclusive leader tries to bridge these potential communication barriers.

In addition to formal processes, highly sophisticated inclusive leaders also consider the broader organisational culture and infrastructure, including workplace design and technology, and whether these facilitate diversity of thinking.<sup>75</sup> The physical workspaces at Pixar and Google, for example, have been created with this in mind. As one CEO wrote: "If a building doesn't encourage collaboration, you'll lose a lot of innovation and the magic that's sparked by serendipity. So we designed the building to make people get out of their offices and mingle in the central atrium with people they might not otherwise see."

WITH RESPECT TO <b>COLLABORATION</b> , BEST-IN-CLASS INCLUSIVE LEADERS:			
Think about	Do – self	Do – team	Do – systems
<ul> <li>Practical meaning of diversity of thinking</li> </ul>	<ul> <li>Assemble teams diverse in thinking</li> </ul>	<ul> <li>Alert to individual and team vulnerable</li> </ul>	<ul> <li>Implement team based performance</li> </ul>
<ul> <li>Who needs to be in the team.</li> <li>for idea generation and complex decision-making</li> <li>Create an environment of psychological safety</li> </ul>	and complex	moments, and employ appropriate strategies.	measures based on diversity of thinking
		<ul> <li>Ensure processes and infrastructure enable structured</li> </ul>	
	• Employ feedback loops.		and serendipitous collaboration to occu

## CONCLUDING REMARKS

For leaders in the Asia Pacific region, three foundational shifts will profoundly influence the future business landscape: The flow of economic power to Asia, the explosion of digital innovation and changes in demographic profiles. Our view is that the intersection of these shifts, one happening at speed (digital innovation) and two with a slowly building force (Asia and demography), will generate a very different local and global environment for Australian and New Zealand organisations.

Moreover, to succeed, leaders must adapt to those shifts by encouraging diverse business opportunities through diverse ideas and diverse talent. In the context of such diversity, our prediction is that it is those leaders who understand what it is to be truly inclusive will be able to adapt and forge the way ahead. Inclusive leadership will be the differentiating adaptive factor.

### LEADERS OF THE FUTURE WILL NEED

**TO ADAPT** to diverse business opportunities, diverse ideas, diverse talent. Being an inclusive leader will be the differentiating adaptive factor.

Our research has pinpointed the six signature traits of inclusive leadership that will enable leaders to deal masterfully with these foundational shifts. The interviews with best-in-class inclusive leaders reveal the details of each of these traits in terms of what such leaders think about and do. We know that they think deeply about their commitment to diversity and inclusion and expend time and energy towards being inclusive. Why? Because staying the course is hard.

They demonstrate **courage** in their willingness to challenge the status quo, and humility when talking about their own limitations. They are **curious** about others' views and seek to understand context, knowing they don't have all the answers. They are highly cognisant of their own biases and actively work on mitigation strategies (with respect to self, others and systems) to ensure they bring out the best in diverse others. They are open to learning experiences that enable more effective cross-cultural interactions to take place, and are confident in doing so. Finally, they focus on creating collaborative teams and networks, so that diversity of thinking can become a reality.

Our intent in drafting this paper is to help today's leaders become more successful tomorrow. We thank the leaders and subject-matter experts interviewed for their willingness to share their own personal journey and learnings, noting that each has done so with humility. Each has taken small steps of inclusion that have built cumulatively on their learning journey. They are the early adopters, setting out a path for others to follow and widen.



## START SMALL. WITH SMALL ACTS OF INCLUSION.

We are not asking people to come out like Ghandi. What we are saying is find a couple of concrete actions and make a habit. And this is what we need. And where everyone does that, what emerges is some conditions for excellence, conditions for creativity.

**BRUCE STEWART**OPM, US FEDERAL GOVERNMENT

Extracted in full from Deloitte (2012), Waiter, is that inclusion in my soup? A new recipe to improve business performance.

# APPENDIX 1 DELOITTE INCLUSION CONSTRUCT

The concept of fairness and respect is foundational and underpinned by ideas about equality of treatment. Individuals look to "outcomes" and "processes" which lead to the outcomes, which both influence perceptions of fairness. More specifically, individuals consider whether their experiences are similar to "comparable others' in terms of personal outcomes, such as opportunities and pay, and there is a strong emphasis on demographic groups as a frame of reference (e.g. regarding gender, a woman asking: "Am I treated fairly in comparison to men?"). In terms of processes, individuals look to whether it is transparent, "free" of bias, along with the treatment they receive as decisions are made and whether they have a voice in the decisions.

In contrast, the concept of value and belonging focusses more on the uniqueness of each person being known and appreciated by the team and leaders. The focus of employees turns inwards, and they look to whether they are seen as a three-dimensional person (and not at a superficial level), whether they are part of formal and informal networks, and whether or not they have a voice in decision-making.

Building on this, Deloitte's research found in high performing teams that individuals have high levels of confidence in being able to speak-up, and they feel inspired. This is because uplift in performance is, at its core, a story of trust and empowerment. When people are confident to speak-up without fear of embarrassment, and when they feel inspired to do their "best work" because of their ability to combine diverse ideas, the conditions for improved collaboration, innovation, customer service and employee engagement are set.

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# ABOUT THE AUTHORS

#### JULIET BOUDKE

Partner

**Human Capital Consulting, Deloitte** julietbourke@deloitte.com.au

Juliet leads Deloitte Australia's Diversity and Inclusion (Consulting) practice and co-leads the Leadership practice. A lawyer by background, she has more than 25 years' experience in human capital, management and law. Juliet works with global executives to improve workplace performance through a focus on diversity and inclusion, leadership and cultural change.

#### BERNADETTE DILLON

Director

**Human Capital Consulting, Deloitte** bdillon@deloitte.com.au

Bernadette is a Director within the Human Capital practice at Deloitte, specialising in diversity and inclusion, and a Chartered Accountant by background. Bernadette works with private and public sector organisations, both in Australia and internationally, to help them achieve their diversity and inclusion objectives.



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