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Evolving D&I to drive performance:
A leader-led, business-driven approach

Corporate leaders are in a quandary: feeling stuck by the lack of significant D&I progress despite meaningful investment and uncertain what to do next. What's needed? An innovative approach to getting unstuck and gaining traction, driven by hard business considerations that will accelerate corporate performance.

There's little question that concern about diversity and inclusion (D&I) has made it to the top of companies. But as the CEO of a large consumer goods company recently confided in us: "We've invested widely in diversity initiatives—even been recognized for our efforts among our peer group—but we haven't yet seen the real change we hoped for."

This CEO is hardly the only one. In her 2016 book, *What Works: Gender Equality by Design*, Harvard University professor Iris Bohnet notes that US companies alone spend $8 billion annually on diversity training, but her meta-review of almost a thousand studies finds a "dearth of evidence" about how effective such efforts actually are.[1] Indeed, most go unmeasured in any way that's rigorously tied to business performance, making assessing what is working and what is not, and building on success, virtually impossible.

Frustratingly slow progress despite pressure

Certainly, there is no shortage of good intentions. Not only do most leaders believe that increasing diversity is the right thing to do, but there is growing awareness that it is the smart thing to do. A Peterson Institute for International Economics study of nearly 22,000 firms globally, for example, found that going from having no women in corporate leadership (the CEO, the board, and other C-suite positions) to 30% female leadership is associated with greater profitability.[2] Further, the study authors conclude, "Because gender-biased firms do not reward employees with responsibilities commensurate with their talent, they lose out to rivals that do not discriminate."[3] This study, and others, add to the mounting body of irrefutable evidence that diversity is an urgent bottom-line issue and a potent competitive differentiator.

There is also escalating pressure on companies from an array of internal and external stakeholders—including boards, investors, regulators, customers, employees, and the media—to improve representation and balance in leadership. Macro trends such as globalization, shifting markets, and changing gender and generational representation in both the workforce and customer base are further increasing the push for companies to have leadership teams and a broader workforce representative of the new reality.

Despite this confluence of forces and decades of corporate efforts in response, the leadership pipeline and mind-set at many companies often remain more a reflection of yesterday's tradition than of today's global footprint and strategy.

Many corporate leaders find themselves at a crossroads, realizing traditional D&I initiatives haven't hit the mark. Reframing the goal of D&I by focusing first on business needs can head companies in a direction that will produce hard business results.

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[1] Iris Bohnet, *What Works: Gender Equality by Design*, Cambridge, MA: Belknap Press, 2016.

[2] Marcus Noland, Tyler Moran, and Barbara Kotschwar, "Is gender diversity profitable? Evidence from a global survey," Peterson Institute for International Economics, February 2016, piie.com.

[3] Marcus Noland and Tyler Moran, "Study: Firms with more women in the C-suite are more profitable," *Harvard Business Review*, February 8, 2016, hbr.org. This study is one of many on this research subject. For another prominent example, see Vivian Hunt, Lareina Yee, Sara Prince, and Sundiatu Dixon-Fyle, *Delivering Through Diversity*, McKinsey & Company, January 2018, mckinsey.com.

Why diversity and inclusion really matter

"Diversity" and "inclusion" have become catchall terms that mean vastly different things to different people, making them hard to coalesce on. Perhaps it's not surprising, then, that D&I efforts built on this shaky foundation have produced lackluster results.

When we focus on this topic, we always start with why D&I is relevant to a company's business: we explore how the business is evolving, and we home in on demographic changes, particularly gender, nationality, and age—as well as ethnicity in the United States—because these are characteristics of customers and employees that can be measured, both in the marketplace and internally. Companies can, therefore, gauge how closely they sync with external shifts that are driving their strategy and define precisely how better balance among leaders and employees can help them achieve strategic growth, innovation, and performance objectives. This is a necessary step toward becoming more customer-centric, a common refrain that is too little reflected in companies' leaders and workforces. Indeed, we think that achieving a leadership team that is balanced in relation to companies' market goals is crucial to their ability to identify and capitalize on opportunities to delight the ever-evolving customer and accelerate their performance.
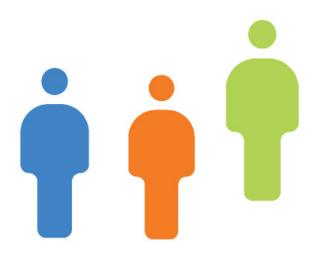
So we use the term "balanced leadership for accelerated performance" as a replacement for "D&I" because it better describes the core organizational objective of diversity. Unlike slippery, subjective D&I, balanced leadership looks different from one company to another, but only because it's defined relative to each specific organization's markets, customers, goals, and culture. Thus, it can and must be monitored and measured as a core part of a company's progress toward its larger strategic goals.

This approach aligns with our overall approach to improving corporate performance. Heidrick & Struggles research shows that, contrary to what many believe, the most successful companies do not have an industry or geographic advantage. Instead, both a company's growth rate and potential for improvement in profitability correlate much more strongly with performance on certain management metrics tied to its ability to mobilize, execute, and transform with agility, or what we call META.[4] That should be good news to companies everywhere: the solution to accelerating company performance lies primarily within and can be influenced, rather than determined by the whims of outside forces. To paraphrase Shakespeare, your destiny lies not in the stars but in yourselves.

What works, what doesn't?

In our research and work with organizations seeking to effect lasting breakthrough change in the composition of their leadership teams, we have found

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[4] Colin Price and Sharon Toye, *Accelerating Performance: How Organizations Can Mobilize, Execute, and Transform with Agility*, Hoboken, NJ: John Wiley & Sons, 2017.

there is one common, essential success factor: change must be led by the CEO. Delegating responsibility is simply not an option.

Conversely, we have also learned what doesn't work. D&I issues have traditionally been the domain of HR, delegated to a D&I executive to tackle what is perceived as a problem and come up with a solution. The trouble with this approach, and why it doesn't promote real change, is that the D&I executive, often recruited externally, is not able to single-handedly change the balance of leadership or the company culture. It's only the top team that has that power. So the entire effort is set up to fail from the outset.

In addition, these initiatives traditionally focus on supporting women and minorities, with mentoring or training programs, for example. But these can create backlash when initiatives are viewed as favoring certain groups to the exclusion and potential detriment of others and can unintentionally reinforce the notion that women and minorities need special help. Educating and equipping all managers to build and lead balanced teams successfully is a more effective approach.

Another popular approach is to roll out unconscious-bias training. Yet this unnecessarily negative framing of the topic may backfire, an effect described by Frank Dobbin, a sociology professor at Harvard University, in a *Harvard Business Review* article: "To reduce bias and increase diversity, organizations are relying on the same programs they've been using since the 1960s. Some of these efforts make matters worse, not better. Most diversity programs focus on controlling managers' behavior, and as studies show, that approach tends to activate bias rather than quash it. People rebel against rules that threaten their autonomy." [5]

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[5] Frank Dobbin and Alexandra Kalev, "Why diversity programs fail," in *HBR's 10 Must Reads 2018: The Definitive Management Ideas of the Year from Harvard Business Review*, Boston, MA: Harvard Business Review Press, 2018.

In other words, because organizations are responding to outside pressure but don't typically see a direct link to business goals, companies too often undertake generic D&I efforts, unaware of the unintended negative consequences of these programs and without linking them to any other organizational goals. It's time to consider an approach geared to creating greater, more positive impact by addressing the broader, more fundamental issues of team composition, mind-sets, and performance.

What's the mind-set shift in making this change?

Ultimately, success in building balanced leadership comes from appreciating the opportunity to more successfully connect with customers and to create the new products and services they need, as opposed to focusing on a problem to be solved.

By catapulting responsibility to the top of the organization, we do not in any way intend to minimize the importance of HR or people issues. Quite the contrary: part of the challenge in shifting the organizational mind-set is recognizing that people-related issues go to the heart of an organization's performance. But there's a rub. People data has historically been harder to capture than traditional corporate-performance data. It is entirely possible, though, to develop hard data on mind-sets and behaviors, which Heidrick & Struggles continues to explore. By linking that data to larger leadership-composition goals and other corporate-performance metrics, companies can materially enhance their understanding of what it takes to build a more inclusive workforce and leadership incubator, something considered a business essential, a partner to the strategy, and a key to efficiency and effectiveness.

How do we get there?

The frustration we witness—as expressed by the consumer goods company CEO we mentioned earlier—is a result of improperly framing the issue as an HR problem rather than a business imperative. Once a company reframes its approach, the company will need to undertake a systemic, organization-wide change-management program. The solution requires a fundamental organizational shift, a shared commitment to undertaking a journey guided by leaders who act as change agents, and a recognition that the journey will be continuous, as external forces and strategy will change over time. That journey will be different for each company.

At the start, to ensure that building a balanced leadership team takes its rightful place alongside other strategic priorities, the CEO must demonstrate not only an ongoing commitment to change but also a deep understanding of the value this approach to

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A leader's checklist: Six principles for unlocking balanced leadership to accelerate performance

1 Reframe as a business opportunity
Make the shift from awareness and disconnected "feel-good" initiatives to a focus on how and why better balance will contribute to meeting strategic, innovation, and performance objectives.

2 Prepare leaders
Ensure leaders, starting with the CEO and senior team, are prepared to lead change, starting with understanding, committing to, and consistently communicating the value of and targets for balance.

3 Ground the goals in data
Understand in detail how the organization's current leaders and workforce do—or don't—represent its current markets and talent pool, what will be required to meet performance goals, and what balance will really look like.

4 Rescope to benefit the whole organization
Move from a focus on specific groups to a focus on the benefits of balance to the organization overall—including fostering an inclusive culture, changing how work gets done and rewarded, and ensuring that communication about goals and progress highlights organization-wide benefits.

5 Develop a clear, precise vision
As with any other strategic initiative, clearly define the who, what, when, how, and why of balance as it affects specific functions, regions, or other parts of the organization.

6 Develop and track the metrics that matter
Because balance reflects strategy, metrics will vary from company to company. Figure out which metrics are key, track progress against them, and adjust tactics as needed.

leadership development can deliver in a time of rapid business transformation, where agility and the ability to innovate with novel ideas and solutions will be ever more critical to success. That calls for a CEO who is capable of engaging the hearts and minds not only of his or her team but of the entire organization. (See sidebar, "A leader's checklist: Six principles for unlocking balanced leadership to accelerate performance.")

As CEOs begin to recognize the value of balanced leadership teams, they need to shift the approach from disconnected, "feel-good" initiatives to the message that inclusive leadership, at all levels of the organization, is of enterprise-wide importance, of the same order of magnitude as other strategy-linked initiatives, such as increased digitization, workforce agility and competitiveness, or product and service innovation.

The place to start is with a data-based diagnostic of the organization's current state based on measuring gender and other representation, in the context of what is relevant to a particular organization, to firmly establish the starting point of a new approach. The success of any new initiatives can then be determined by measuring positive change against the initial data. An in-depth understanding of the current situation is essential before any action planning.

It is then the job of the CEO's direct reports, and those below them, to make the promise and value of balanced leadership a reality. (To learn how boards can support these efforts, see sidebar, "What is the role of the board?") As with any other strategic priority, the top team needs to clearly define what it wants to achieve, by when, and how success will be measured. It takes a deliberate effort to build alignment and accountability, clarifying roles and responsibilities, to ensure desired, measurable results. Over time, this work is pushed deep down into the organization, supported by the tools and training leaders at each level need in order to lead

What is the role of the board?

While we've focused on the role of internal leaders in achieving this organizational transformation, boards can play an important role in ensuring the development of balanced leadership teams, including in the top team, with which directors interact most frequently and whom they rely on for crucial input into decision making.

In addition, while strategy development and execution are generally considered the CEO's turf, board involvement in strategy may vary widely from one company to another. In an increasingly complex business environment, the best boards add significant value to a company when they are partners to the CEO on strategy, providing guidance based on their varied experiences. And since developing balanced leadership from the top down should now be considered key to strategy execution, data on how well companies are progressing on the leadership front should be on the board's dashboard and regularly assessed.

But make no mistake: while boards may provide external oversight for the priority of developing balanced leadership, the real work required to make balanced leadership a reality is internal, at the top of the house.

organizational transformation and new ways of working, internally and externally.[6]

When successful, this process ultimately results in organizational transformation, characterized by new ways of viewing and working with employees and customers. Companies that consciously create and maintain balance in leadership teams by systematically requiring balanced slates, mapping external talent, and recruiting diverse candidates find that mind-sets and behaviors become more inclusive by habit as that organizational muscle is built. Balanced leadership becomes less a conscious effort and more just a matter of "This is the way we do things here," consistent with the ongoing need to adapt to the ever-changing business. This will prove an increasingly crucial differentiator in attracting top talent, who will view organizations with balanced leadership as desirable for achieving their personal goals and offering the opportunity to contribute to the success of the business.

How will we know when we've reached our destination?

Transforming into an organization that values and nurtures balanced leadership means transforming into an organization that adapts to the continually morphing business environment of the 21st century.
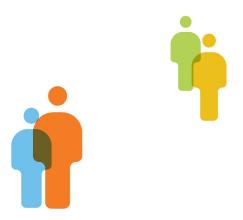
We believe this leader-led, business-driven approach is the best way to leverage demographic, cultural, and technological shifts. A change-management approach to creating balanced leadership, with proven methods and measurable outcomes, has the potential to fuel accelerated performance far beyond the trickle of often disparate results leaders have come to expect from today's D&I initiatives. Moreover, companies that put in the work to implement this approach and effect real change will be able to attract, retain, and develop talent that reflects the current realities of their workforce, customers, and markets. The real payoff: these companies will be equipped to be more innovative, agile, high performing, and better fit for the future, whatever that may be. ■

About the author

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[6] For more on organizational transformation, see, for example, Heidrick & Struggles, *Accelerating Performance in Teams*, October 30, 2018, heidrick.com, and Brian Klapper and Mike Theilmann, "The five essential attributes of the 21st-century CHRO," June 25, 2018, heidrick.com.

Heidrick Consulting

We partner with organizations to deploy the most powerful lever they have for delivering results, faster: their people. Our experts in leadership assessment and development, team and organizational acceleration, and culture shaping work across practices and offices to share ideas to bring customized, practical, and often unexpected solutions to our clients' most urgent challenges.

Our breakthrough analytical tools use data and technology to bring science to the art of human capital development and organizational design, and our groundbreaking approach to culture shaping helps change attitudes to deliver measurable, lasting changes in performance.

As one united team, we acquire a deep understanding of the threats and opportunities our clients face and then bring together a customized configuration of tools, approaches, and experts needed to address them. The result: the great leaders, effective teams, and powerful, adaptive cultures that can accelerate performance, effect transformative change, and boldly create the future you envision.

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