



LEADERSHIP EFFECTIVENESS: WHY AND HOW TO BOOST DIVERSITY

Enabling diversity is a key capability of a highly effective leader. Diversity does not mean only racial diversity. Diversity of thought, ethnicity, sexual orientation, gender, age, personality, and outlook are all needed. High levels of organizational diversity are leading indicators of high levels of creativity, flexibility, and innovation. Here are some examples of research findings that show the positive relationship between business outcomes and diversity within management/the board.

- McKinsey found a “36 percent higher likelihood of outperformance on EBIT margin for top quartile companies for ethnic and cultural diversity on executive teams.” See McKinsey’s research on diversity and inclusion and their effects on “financial outperformance,” [How Diversity & Inclusion Matter | McKinsey](#).
- McKinsey’s research proves that diversity on boards matters. They found “that companies whose boards are in the top quartile of gender diversity are 28 percent more likely than their peers to outperform financially.”
- McKinsey’s data shows that the “penalty for lagging in diversity is growing.”
- Women in the C-suite “catalyze fundamental shifts in the top management team’s risk tolerance, openness to change, and focus on M&As versus R&D” according to research reported in HBR: [Adding Women to the C-Suite Changes How Companies Think](#). Examples that the authors cite are Marillyn Hewson of Lockheed Martin, Lisa Su of AMD, and Susan Wojcicki of Google and YouTube.

Here are four steps you can take to increase diversity in your organization:

1. Assess and possibly modify your talent management practices.
 - a. How you attract your employees
 - b. How you develop and promote your people
 - c. How you train and retain your people
2. Build the right individual leadership skills – your own and your team’s.
 - a. Recognize your biases
 - b. Understand your assumptions
 - c. Vary your leadership style
 - d. Create and empower new ways of thinking
3. Review work practices.
 - a. Utilization of technology
 - b. Flexible work arrangements
 - c. Benefits
4. Build trust.
 - a. Create psychological safety for dialogue – see our June 2021 tip: [Leadership Effectiveness: Tweak \(and Publicize\) the Office Modus Operandi](#)
 - b. Model open communication
 - c. Ensure your organization has a strict no retaliation policy

Diversity leads to innovation and creativity in the organization. Innovation is essential for adapting, creating, and ensuring growth. Can you afford not to build a diverse workforce?

Does your organization foster the hiring of diverse talent? Has your organization achieved a level of trust to create cross-group relationships and collaboration?