THE "HARD" SIDE OF DIVERSITY AND INCLUSION:
How Effective Managers Drive Better Business Results

ABSTRACT

There is not a more frequently written-about topic in the business press than leadership. And, yet again, we venture into this oft-charted territory—but with a slightly unique compass. By analyzing the results of leadership effectiveness assessments on thousands of managers, the authors discover compelling implications about what a difference "extraordinary" leaders can make in real business outcomes. In addition to general findings that may impact how we think about the general topic of leadership development, a significant finding emerges in regard to the topic of inclusion—it really does matter. The level of inclusiveness of managers is a strong predictor of their overall effectiveness. This finding bolsters the argument for continued effort in this arena and raises questions about how data can be structured in the future to characterize organization/managerial effectiveness as well as the impact of interventions.

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RESEARCH OVERVIEW

As an extension of the research performed for Jack Zenger and Joseph Folkman's recent book *The Extraordinary Leader* [1], the authors discovered that aspects of inclusion figure prominently in a new view of leadership effectiveness. In partnership, the Novations Group's Leadership and Diversity/Inclusion practices have collected data for over 20 years on some 25,000 leaders. The information on these managers came from questionnaires completed by their subordinates, peers, bosses, and the managers themselves (i.e., 360 assessment). The process created a reliable and valid picture of the individual managers' behavior. The Novations database contains over 225,000 such instruments, averaging 10 questionnaires per manager. In short, it is voluminous, statistically valid, and (we think) raises some compelling implications.

As the analysis began, we were looking to describe what (if any) impact leaders have on specific outcomes, i.e., profitability, customer satisfaction, turnover, etc. The field of organization and leadership development has long held that more effective managers drove better results, and we were looking for empirical, statistical validation of this view. We found that careful analysis of the volume of survey information on leaders provides useful insights about what makes great leaders. We compared the top 10% (as measured by the overall positive response on their 360 feedback) with the overall aggregate of 25,000 managers. We also compared this group of "high performers" with the bottom 10% of managers showing the lowest overall scores. In many cases, we had data from the companies that allowed us to compare this managerial feedback with actual performance measures the firm tracked. The group was largely middle and upper-middle managers. They came from most industry sectors and were mainly North American, though some were international leaders.

In examining the relationship between leadership effectiveness and desirable outcomes, the consistent finding in all of the research and analyses was the significant impact of the best and worst leaders on achieving (better or worse) bottom-line results—with a special eye to the notion of "inclusion" as a critical skill set.

In a mortgage bank, we collected data on net profits for a series of leaders. Figure 1.a shows the results of our study. The poor leaders actually lost money for the company. One might conclude that their performance actually drove customers away. The good leaders, on the other hand, made a reasonable profit for the company. Their performance compared with the poor leaders represented a substantial change. However, the great leaders nearly doubled the profit generated for the company by the good leaders. This finding alone was important.