

UNC Leadership Survey 2016

Diversity Competencies for Leadership Development



UNC
KENAN-FLAGLER
BUSINESS SCHOOL

Executive Development

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Introduction

Leveraging diversity in the workplace has become a critical challenge for many organizations, and this challenge has only become more complex over time. Demographic changes and evolving social attitudes mean the workplace is less homogenized now than ever before, which necessitates the ability to manage cross-culturally if organizations wish to remain competitive in a global marketplace. Postponed retirement goals have led to an unprecedented five generations all working together, as older generations delay retirement and work alongside Gen Xers, millennials, and post-millennials.ⁱ The influx of younger workers also has brought about a shift in workplace demographics: millennials — now the largest generational group in the workforce — are also the most racially diverse generation in history.ⁱⁱ The number of men and women in the workforce is nearing parity; women will make up 51 percent of total labor force growth by 2018 and currently make up 47 percent of the total U.S. labor force.ⁱⁱⁱ In addition, more connection to people across the globe and shifting attitudes and policies regarding LBGTQ issues all add up to a workforce that is culturally and racially diverse.

To succeed in this environment, organizations will need their leaders to adopt management styles that not only accept this new workplace paradigm but champion it, recognizing that diversity in appearance, attitude, thought, and deed leads to organizational value. Managers cannot lead as they may have in the past, because how one group responds to direction may not work for all groups in the workplace. Leadership must grow and foster an inclusive labor force, and how well leaders respect, respond to, and use the diversity in their organizations to create value can be a key differentiator in both marketing their organization as an employer of choice and driving business growth.

How are organizations redefining the competencies their leaders need to manage a more diverse, globally distributed workforce? What qualities are they focusing on? How are leaders asked to support diversity and inclusion goals, and how is success measured? To answer these questions and more, the Human Capital Media Research and Advisory Group — the research arm of *Chief Learning Officer* magazine — partnered with the University of North

Carolina Kenan-Flagler Business School to study the current state of diversity competencies for leadership development. We asked nearly 800 survey participants from both national and international organizations about their leadership competencies: whether they included diversity competencies in leadership development, what their organizations looked for in a culturally sensitive leader, and how their organizations held leaders accountable for creating a culture of inclusion. We also compared these findings with best practices identified in the Diversity Value Index, an annual benchmarking program sponsored by the Human Capital Media Research and Advisory Group that examines how D&I initiatives provide business value. Vanguard DVI organizations have been judged by field practitioners to be at the forefront of realizing business value from diversity and inclusion, and their initiatives form a set of best practices for others to follow.

Key Findings

1. The use of diversity competencies for leadership development is widespread.
2. Organizations are strongly committed to creating cultures of inclusion.
3. Organizations with a mature D&I function see diversity as a strategic business enabler key to driving business growth.
4. Lack of time, clarity, and leadership buy-in are top roadblocks to both developing leadership diversity competencies and creating a culture of inclusion.

Terms and Competencies Defined

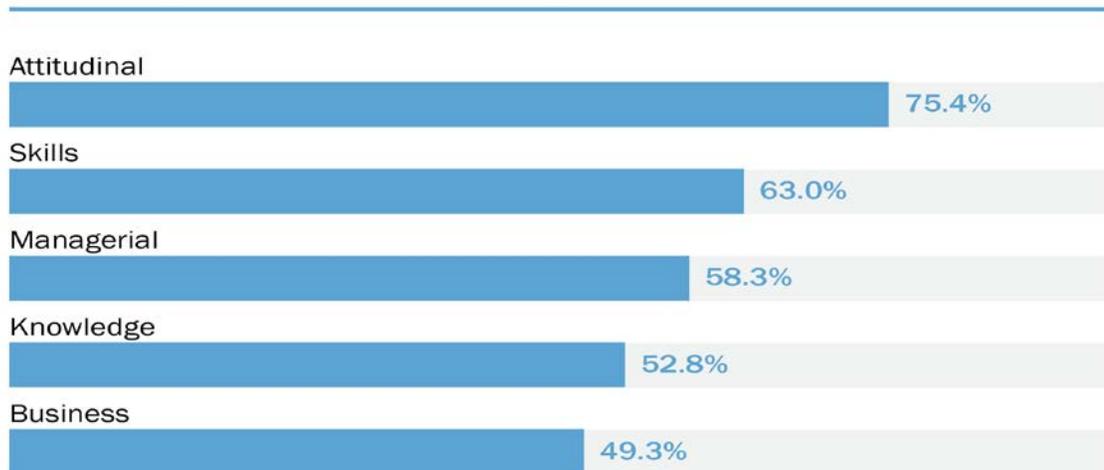
The “2016 Diversity Competencies in Leadership Development Survey” used the following terms for the purposes of this report:

- **Diversity:** Acknowledging, understanding, accepting, and valuing differences among people with respect to age, class, race, ethnicity, sexual orientation, gender, gender identity, veteran status, or disability.^{iv}

- **Diversity competencies:** A set of related abilities that allows a leader to be effective in the area of diversity and inclusion (D&I). The following abilities all fall under the umbrella of diversity competencies and are in place at organizations to varying degrees (Figure 1):

- »» **Attitudinal:** Ability to adapt to other cultural norms, withhold judgment, and cope with uncertainty.
- »» **Business:** Ability to use negotiation tactics and styles across cultures and understand a regulatory environment.
- »» **Knowledge:** Ability to follow behavioral rules and norms; an understanding of world geography and visa requirements.
- »» **Managerial:** Ability to use culturally appropriate motivational tools.
- »» **Skills:** Ability to practice appropriate etiquette and seek local expertise as needed.

FIGURE 1:
Top diversity competencies in place at organizations



- **Diversity Value Index (DVI):** An annual unranked benchmarking program presented by the Human Capital Media Research and Advisory Group. The DVI model combines four framework areas (strategy, leadership commitment, execution, and impact) together with three action areas (recognizing, representing, and utilizing diversity) to examine how organizations use organizational diversity to create business value.

- **Inclusion:** Involvement and empowerment, where the inherent worth and dignity of all people are recognized.^v

This report will use the term diversity competencies throughout to refer to the set of skills listed in Figure 1. All are important, and together they make up a holistic view of diversity leadership competencies.

Q: What business objectives at your organization are directly impacted by a culture of inclusion?

A: *“Improving underrepresented talent representation at the top of the house (VP, C-suite, and board level) for our organization and for the industry.”*

“[A culture of inclusion is] driving productivity because people feel valued and appreciated.”

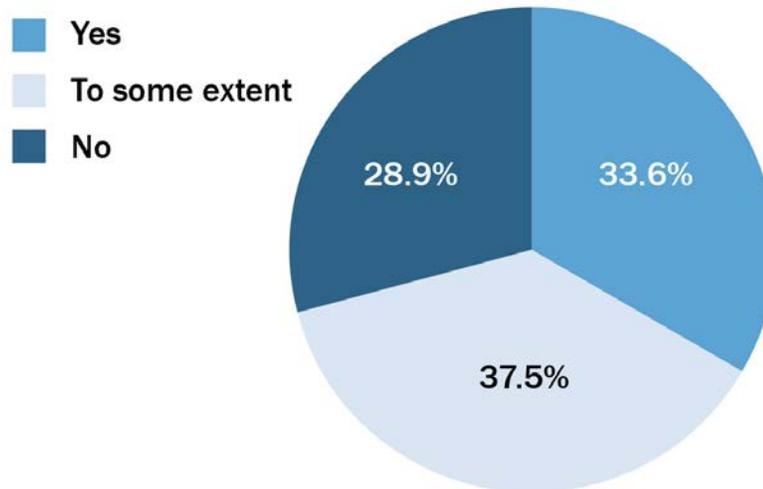
From the “UNC Leadership Survey 2016 Diversity Competencies for Leadership Development” open comments

Widespread Diversity Competencies: Use and Use Cases

As the workplace becomes more diverse, leaders need to adopt new skills to better manage their workforce and promote a culture of diversity and inclusion. Leaders with highly developed diversity competencies are better able to communicate with their workforce — and communication is a key leadership competency, according to global leaders.^{vi} Many organizations recognize the need to incorporate diversity competencies into leadership development and are taking the steps to do so. Diversity competencies are in widespread use among survey respondents; nearly three-quarters (71.1 percent) of all organizations include diversity competencies in their leadership development to some extent (Figure 2).

FIGURE 2:

Does your organization have diversity and inclusion competencies as part of leadership development?

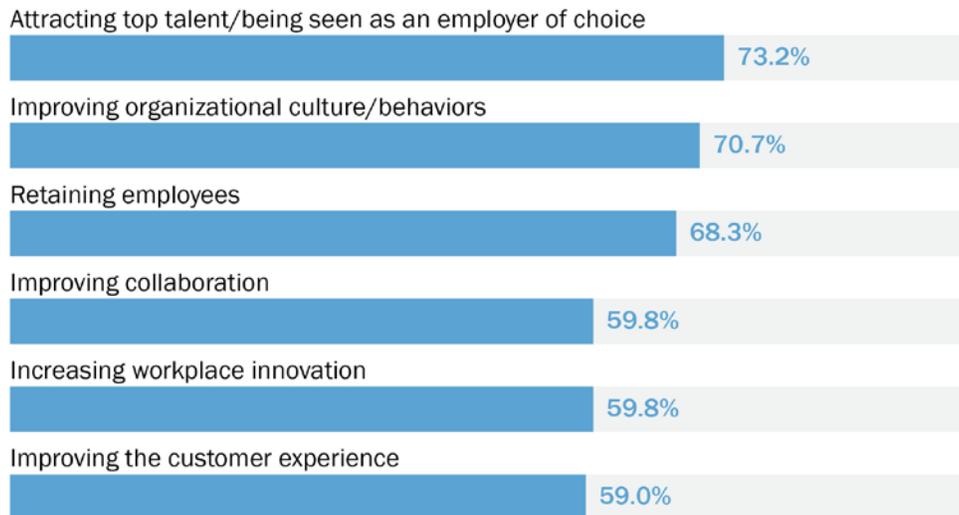


Why are diversity competencies important? The D&I function can and should be viewed as a strategic enabler, and developing the diversity competencies of leaders can help foster a culture of workplace inclusion that delivers business value, such as driving economic growth or capturing a greater share of the consumer market.^{vii} Participants in the Diversity Value Index report that increasing their D&I efforts by developing a diversity strategy, bolstering leadership commitment, and assessing impact from D&I initiatives provides them with measurable business value.^{viii}

Organizations that mirror the diverse nature of their customer base can also realize business value through D&I. Survey respondents give many other examples of how their organizational business objectives are affected by creating a culture of inclusion. Top business objectives are attracting and retaining top talent and improving the work culture (Figure 3). DVI organizations echo these business objectives and report that their D&I efforts are more successful when their diversity strategy aligns with the overall business strategy.^{ix}

FIGURE 3:

Top business objectives directly impacted by a culture of inclusion



What about the third of organizations without diversity competencies in place? When questioned further, respondents gave similar answers: D&I wasn't a priority at their organization, there wasn't executive buy-in for D&I initiatives, or HR didn't have the bandwidth for adding new competencies. These answers align with the difficulties organizations have with developing new leadership competencies and will be discussed in more detail in the **Roadblocks to Change** section.

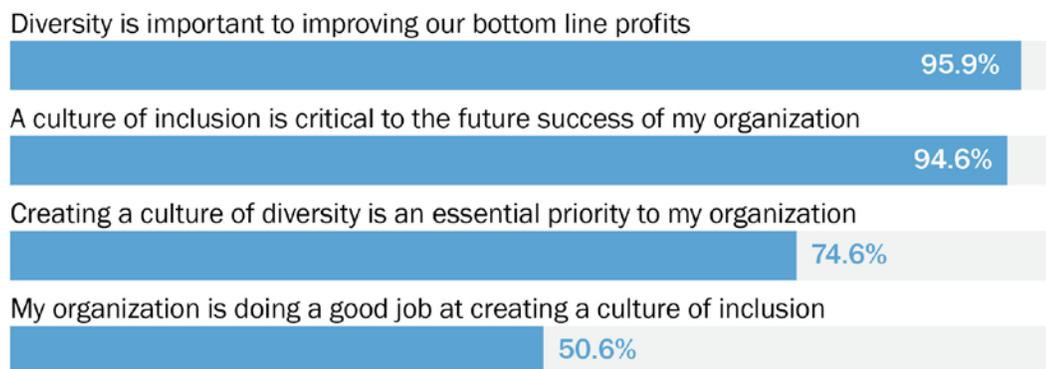
In the open comments, many survey respondents stated that for D&I initiatives to succeed, they must have the backing of very senior management. As one respondent said, *"Changes have to be implemented across the entire organization, beginning with top management setting the example for the rest to follow. Leaders must play an important role in creating an atmosphere and environment where the shift is toward increased diversity and inclusiveness in the organization. Leadership diversity competencies must be clearly defined, detailed, and outlined in a way that leaders inspire and promote a sense of confidence to all individuals... Diversity and inclusion is best approached when you have an open-door policy and have in place effective communication channels where difference and mistakes can be seen as an opportunity for learning and improvements for everybody."*

However, D&I leadership commitment is most effective when buy-in is secured up and down the chain of command. Organizations that include diversity competencies in leadership development training recognize this, and many assign diversity competencies to all leadership levels. Eight in 10 (80.1 percent) organizations develop D&I competencies at the senior leadership level, more than 75 percent (78.7 percent) develop at the middle management level, 58.8 percent develop at the line-leader level, and nearly half (45.8 percent) develop non-management employees. When leaders act as champions of diversity — in practice at many DVI organizations and beyond — the organization shows its commitment to creating a culture of inclusion.

Organizational Commitment to D&I

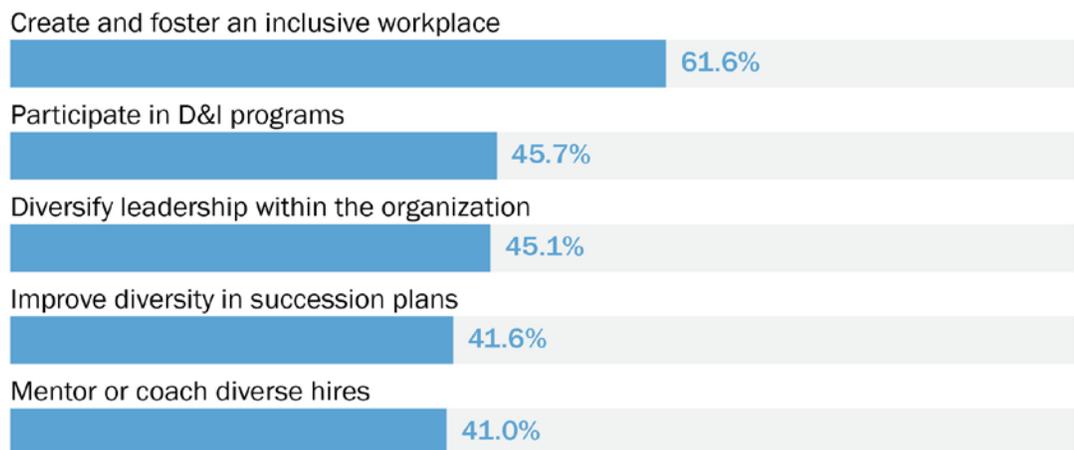
Organizations are aware of the changing demographics of the workforce and the importance of diversity and inclusion for the organization’s long-term sustainability. Among many there is a strong commitment to promote D&I goals as they relate to organizational business goals. Nearly all survey respondents (94.6 percent) agree that improving D&I competencies of leadership is critical to their future success. Further, three-quarters (74.6 percent) agree that developing such competencies is a high priority for their organization (Figure 4).

FIGURE 4:
Organizational commitment to diversity



Given this commitment, how do organizations hold their leaders accountable for furthering D&I initiatives? Most set D&I performance targets or goals for their leaders. Among survey respondents, the most common target is the development of diverse hires. Increasing recruitment (60 percent), providing more development opportunities (42.1 percent), and bettering employee engagement of diverse hires (39.3 percent) are all top performance goals for leaders. Setting diversity competency target goals also shows organizational commitment to D&I initiatives. The top diversity and inclusion goals leaders are held accountable for are to create and foster an inclusive workplace, participate in D&I programs, and diversify leadership throughout the organization (Figure 5).

FIGURE 5:
Top D&I goals leaders are held accountable for

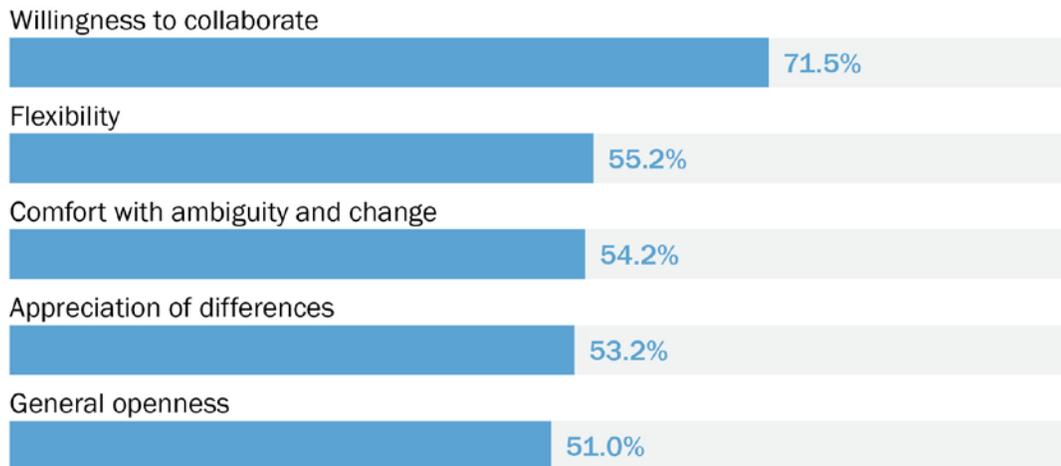


Besides setting performance targets, what are some other ways leaders can be held accountable for furthering D&I goals? One way is through their performance bonuses, either all or in part. Tying bonuses to the advancement of diversity and inclusion allows both DVI organizations and survey respondents to demonstrate their commitment to creating a culture of inclusion. While this practice isn't widespread, more than a quarter (26.8 percent) of all organizations have D&I initiatives tied to performance bonuses in some way.

When examining specific D&I practices, it's important to look at the outcomes of successful leadership development. What qualities do organizations want

in a culturally sensitive leader? What do they hope to get out of diversity competency leadership development? Among survey respondents, the top five attributes considered high-priority qualities in a culturally sensitive leader are a willingness to collaborate with others, flexibility, comfort with ambiguity and change, an appreciation of differences, and general openness (Figure 6). By collaborating with others, appreciating differences, and being willing to change and adapt, leaders can harness the untapped potential of a more diverse workforce and create a more inclusive work culture.

FIGURE 6:
High-priority qualities in a culturally sensitive leader



Diversity Function Maturity Level: Driving the D&I Conversation

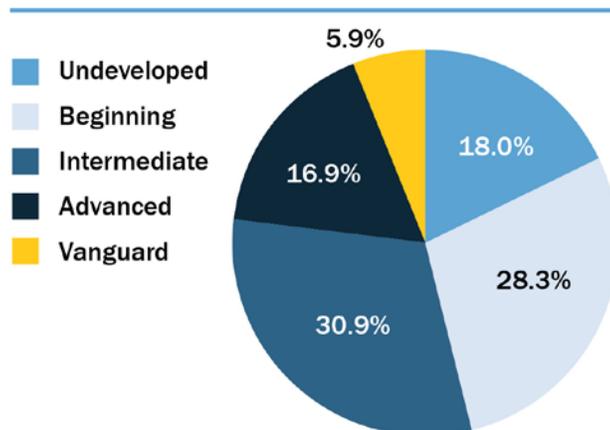
Organizational attitudes toward diversity and the steps taken to develop leaders depend largely on the maturity level of the D&I function. As organizations grow and leaders gain better insight on how D&I fuels their bottom line, leaders can make the business case for D&I initiatives and do more to foster an inclusive workplace.

By developing executives into diversity champions, organizations realize value from their D&I efforts in the form of better recruiting and retention of diverse hires. Mature D&I organizations report more frequent collaboration and innovation among their diverse workforce members.

Maturity Level Defined

The “UNC Leadership Survey 2016: Diversity Competencies for Leadership Development” asked respondents to identify the maturity level of their D&I function. For the purposes of the study, we used the following definitions of D&I maturity level:

FIGURE 7:
Organizational D&I state of development



- **Undeveloped:** D&I initiatives are not a priority.

- **Beginning:** There is some internal focus on existing employees, but overall D&I is not a strategic priority.

- **Intermediate:** Some D&I best practices are employed, such as diversity sourcing of candidates or leveraging employee network groups.

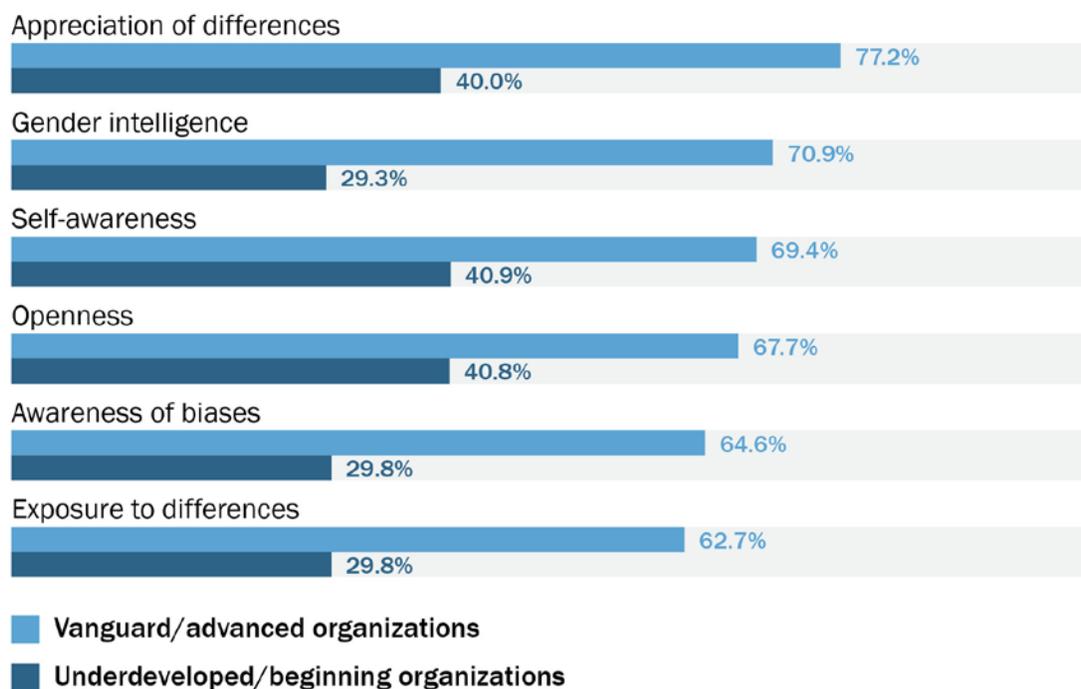
- **Advanced:** Formal D&I-related development plans are in place. D&I is seen as strategic priority internally and externally in both their client and supplier relationships and is openly discussed with all constituents.

- **Vanguard:** Leaders are held accountable to diversity metrics, training, and goals. Their workforce and leaders understand inclusion, unconscious bias, and how to manage and leverage differences. Vanguard organizations make the connection to innovation, and their talent systems are inclusive, transparent, and understood.

D&I maturity level varies among survey respondents. Most placed their organizations into the intermediate category, followed by beginning. However, all levels of D&I maturity were represented in the study (Figure 7).

Organizations with mature D&I functions (such as advanced or vanguard) do more than others to foster an inclusive workplace. Advanced and vanguard organizations report that more competencies are critical for their leaders in much higher numbers than undeveloped and beginning organizations. The most striking margins are listed in Figure 8.

FIGURE 8:
High-priority, critical skills in a culturally sensitive leader



Organizations with more advanced D&I functions also take proactive steps to update or change their diversity competencies to respond to current business needs. Four in 10 vanguard and advanced organizations have recently updated their D&I competencies, compared to less than a quarter of undeveloped and beginning organizations. On the other hand, a fifth of undeveloped and beginning organizations plan to change their competencies “soon,” compared to just 8 percent of vanguard and advanced organizations

(Figure 9). Organizations wishing to improve the maturity level of their D&I practice can start by redefining their D&I leadership competencies. This affirms leadership commitment and buy-in to creating an inclusive work culture, which is essential to D&I success, as lack of buy-in is a top roadblock to deriving organizational value from diversity.

FIGURE 9:
Updating/changing D&I competencies



Roadblocks to Change

The “UNC Leadership Survey 2016: Diversity Competencies for Leadership Development” asked two questions relating to roadblocks to diversity and inclusion. The first asked respondents to identify their top challenges to increasing the use of diversity leadership competencies, while the second asked about the top roadblocks to creating a culture of inclusion. For the most part, the roadblocks are similar. Lack of management buy-in (both from upper and middle management), clarity, time, and structure are all statistically similar roadblocks to D&I development (Figure 10).

FIGURE 10:
Roadblocks



Diversity Competencies for Leadership Development

Given that organizations overwhelmingly believe that D&I programs are essential to both their bottom-line profits and overall organizational health, what then are they doing to address these roadblocks? Solutions are organization-specific, although they fall into the general categories of providing awareness, training, and time. The following examples are from survey open comments and represent initiatives taken at organizations to address roadblocks that inhibit the increase of leadership diversity competencies. They include:

- Developing training on unconscious bias for all levels of the organization.
- Including leadership diversity competencies as part of formal leadership development.
- Increasing awareness through individual and group training and mentoring.
- Leveraging a D&I maturity model to help business units see where they are on the D&I journey.
- Tying more D&I goals to the business framework.

Solutions to mitigating roadblocks to creating a company of inclusion are similar and include the following:

- Creating a diversity council.
- Increasing program monitoring and adherence to program targets.
- Proving the ROI of diversity initiatives.
- Supporting and encouraging multiculturalism training.
- Working with business leaders to help them understand the D&I value proposition.

Organizations wishing to do more with D&I can also emulate the best practices of DVI organizations, many of whom report having made the business case for D&I at their organization. Best practices at DVI organizations include many things vanguard organizations on the “UNC

Leadership Survey 2016: Diversity Competencies for Leadership Development” report doing. Best practices at DVI organizations include:

- Aligning D&I practices to organizational goals
- Having a workforce that reflects the diverse nature of an organization’s customer base.
- Providing unconscious bias training.
- Sponsoring diversity events in the community to churn interest in the organization among diverse members of the population.

As one DVI participant noted: “[For us] diversity and inclusion isn’t an inspirational goal— it’s the way we achieve success.”

Conclusion

The competition for diverse talent will only increase as more diverse populations enter the workforce and organizations gain business value from their hard work, expertise, and place on the team. Organizations that incorporate diversity competencies into their leadership development strategy will be best positioned to attract and retain diverse hires, thanks in part to their culture of inclusion and their leaders’ cultural sensitivity. The three-quarters of organizations that have some form of diversity leadership competencies already in place recognize the critical nature of such skills and are incorporating various initiatives into their leadership development in an effort to ensure their leaders understand, embrace, and model a culture of inclusion. Their actions mirror those participants in the Diversity Value Index, which benchmarks on a framework that states organizations championing diversity achieve real business value from D&I practices. As D&I maturity improves, organizations start to do more with their diversity initiatives and reap the benefits from their D&I objectives, ensuring their organization’s position as an employer of choice for the next generation of potential talent.

About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face. We combine traditional with experiential and unique learning to ensure that all individuals gain relevant new skills that they can easily implement within their own organizations. Through action learning and business simulation activities, we challenge participants to think, reflect, and make decisions differently.

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty, and program managers. We are dedicated to following-up with our clients and individual participants to ensure that their learning experiences have been meaningful and impactful. This integrated approach consistently drives strong outcomes. Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges.

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About Chief Learning Officer and HCM

Chief Learning Officer magazine is the foremost resource in the rapidly growing industry of workforce learning and development. The magazine provides constant access to reliable, relevant information, as well as forums for connecting with other global learning leaders.

The Human Capital Media (HCM) Research and Advisory Group is the research division of Human Capital Media, publisher of *Chief Learning Officer*, *Talent Management* and *Workforce* magazines.

Website: humancapitalmedia.com

Demographics

Number of respondents: 780

55.8% are at director level or above

Top areas of functional responsibility

Diversity and inclusion: 7%

Talent management: 14%

Learning and development: 21.2%

Human resources: 23.6%

Administration, management or corporate functions: 13.6%

Geographic distribution

One country, one location: 26.7%

One country, multiple locations: 33.9%

One country, some global distribution: 13.7%

Highly distributed across the globe: 25.7%

Sources

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^v Ferris State University. *Diversity and Inclusion Definitions*.

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