Diversity, Equity, and Inclusion in Leadership: Measuring the Impact of Inclusive Leadership Practices on Organizational Performance

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ABSTRACT

This essay explores the critical role of inclusive leadership in advancing diversity, equity, and inclusion (DEI) within organizations and examines the impact of these leadership practices on organizational performance. The study begins by defining the concept of inclusive leadership within the Australian cultural context, identifying a significant gap in existing research: the limited evidence of how inclusive leadership development (ILD) influences firm performance beyond large, publicly listed companies. The essay outlines various research methodologies used to study the relationship between inclusive leadership and organizational performance, highlighting the need for more empirical, longitudinal studies to better understand this relationship. The essay concludes with the development of a preliminary model designed to represent the potential impact of ILD practices on organizational performance across different sectors.
Keywords: Inclusive Leadership, Diversity, Equity, and Inclusion (DEI), Organizational Performance, Leadership Development, Empirical Research.

INTRODUCTION

Increasing diversity and promoting equity and inclusion are currently high strategic goals for many leadership teams in organizations. At the same time, promoting diversity with inclusion and equity is not easy to accomplish without the support of leaders and supportive practices in organizations. Leaders play a crucial part in setting and maintaining the organization's culture. As a result, many organizations have turned to their leadership training development programs to develop more inclusive leaders. Despite the common occurrence and the financial investment of this approach, there is currently limited evidence to demonstrate the impact of such approaches on organizational performance. The purpose of this essay is to examine the existing research into inclusive leadership and, as part of the holistic approach taken by Roslyn et al. (2022, this special issue), to develop new and innovative ways of capturing the impact of inclusion in leadership on organizational performance [1]. The essay seeks to achieve the following. First, the term 'inclusive leadership' is unpacked to provide a greater understanding of inclusion in the Australian cultural context, and inclusive leadership development (ILD) is examined in the context of both policy and the literature. Second, the authors outline a key gap in the current research on ILD, being the limited evidence of the impact of such leadership development on firm performance, particularly outside of financial and/or large publicly listed companies. Finally, this essay concludes with a limited attempt to address this gap through the development of a preliminary model to represent the potential of ILD practices to impact firm performance across a variety of sub-sectors [2, 3].

THE CONCEPT OF INCLUSIVE LEADERSHIP

The first step in understanding how inclusive leadership practices influence an organization is to define what qualifies as "inclusive leadership." Since Dana L. Brooks developed the idea in the Virtual Issue of Human Resource Management Review, several researchers have explored the concept from a practice-based framework in basic, theoretical ways or from a practical one suggesting the behaviors and characteristics associated with inclusive leadership. Other researchers have focused on inclusive

leadership as a critical organizational or societal need due to global mass migrations and cultural hybridization resulting from work and personal relationships worldwide or as it pertains to industry [4, 5]. Most researchers, however, explore inclusive leadership as a necessity in order to realize more diversity, equity, and inclusion in organizational leadership. From that perspective, Hamlin, Tjeltveit, Kerssen-Griep, and Hourdakis (2017) identified inclusive leadership and suggest three practice approaches to it as being a product and necessary byproduct of distributive justice leadership approaches that incorporate social identity leadership - a leadership success model combining De Meuse's definition of successful leader behavior and a satellite leadership model drawing on the Full Range Leadership behaviors initially formulated by Bass. Therefore, both the birth of the concept of inclusive leadership and much of the understanding of it are informed by leadership conceptual models and frameworks [6].

THE IMPORTANCE OF DIVERSITY, EQUITY, AND INCLUSION IN LEADERSHIP

All organizational members have a stake in promoting attitudes, policies, and practices that help make their organizations more vibrant and profitable. One recent trend that seems almost certain to benefit the organization and its members simultaneously is a focus on diversity, equity, and inclusion (DEI) amongst leadership ranks. Proponents argue the emphasis on these factors in making leadership decisions brings long-term and short-term benefits, as better decision makers are selected, and poor decision makers are not. Leaders play a clear role in formulating and implementing strategic policies. It is easy to see why a diverse group of leaders for an ethically diverse organization might uncover hitherto unseen market opportunities [7, 8]. An inclusive approach can help employees understand how the organization's DEI initiatives translate to meaningful impact. Creating a work environment that is diverse, equitable, inclusive, and respectful of all employees is important as it helps the organization to utilize the full potential of all of its people. Together, these factors can give an organization the competitive edge. However, having a diverse leadership team is no easy task, and fostering an atmosphere of equity and inclusion has also grown more difficult in recent years. Despite these challenges, making progress in these areas may be essential as more organizations promote themselves based on their diversity, equity, and inclusion. When asked, businesspersons and business students argue the most important leadership skills are those that promote DEI. Currently, only a handful of companies and business schools have begun to attract, develop, and retain leaders with these skills. As a result, the world economy has had to limpingly adjust to being, for the most part, out of touch with the leadership skills it will soon come to value most [9, 10].

MEASURING ORGANIZATIONAL PERFORMANCE

Performance measurement has long been an important aspect of organizational research and is a key variable of interest across multiple research and evaluation domains. Several key performance indicators (KPIs) are selected to measure organizational performance. Logical KPIs might include organizational productivity, brand health, employee engagement, financial capital, pro-social behavior including ethical and pseudo-ethical behavior, customer satisfaction, and/or other outputs. One of the biggest challenges identified is the ability to measure performance. Some performance measures lend themselves to quantification; however, generating a sum rarely becomes the sole surrogate for actual performance. Moreover, evaluation researchers currently use this level of measurement (e.g., numerical indices and scores) more often than ordinal measurement (e.g., performance ranking). Human behavior is greatly influenced by observation, and using measures based on an interval scale may thus introduce more observer bias [11, 12]. Hypotheses are often tested in lieu of conclusions from observational quality data. But evidence of association using observational quality data does not prove causation. Further research is required to formally test multiple leadership approaches on organizations, including the development and testing of behavioral, as-profitable leadership approaches, when compared to transactional or transformational leadership. Own organizations a few decades ago, and see leadership approaches for the transactional to the transformational between 20 and 50 percent of organizations [13, 14].

RESEARCH METHODOLOGIES IN STUDYING INCLUSIVE LEADERSHIP PRACTICES AND ORGANIZATIONAL PERFORMANCE

In research studies of inclusive leadership practices (ILPs) and the effect on organizational performance, various researchers and authors use different methodologies in an attempt to measure the relationship between these organizational practices. Research methods that are used fall into the quantitative or qualitative paradigms, seeking to measure the social phenomena in the workplace. The section provides information about the methodologies used in researching relationships between inclusive leadership practices and organizational performance [15, 16]. When examining the relationship between inclusive leadership practices and organizational performance, there are various research approaches that can be utilized. While quantitative studies typically have large sample sizes and can be used to measure

quantifiable outcomes, they often miss the richness of the stories behind the leadership impact. Because people are dynamic and each organization is unique in many ways, mixed methodologies are utilized to understand phenomena. One recommendation for future research to understand the impact of inclusive leadership practices on organizational performance is to conduct more longitudinal research. An alternative approach within the quantitative paradigm, suggest using correlational analysis and quasi-experimental methods to further test the causation of inclusive organizational practices based on leadership and organizational performance. More empirical evidence should either reduce support for the relationship between organizational inclusive leadership practices and performance, or give greater insight into the relationship [17, 18].

CONCLUSION

Inclusive leadership is pivotal in driving diversity, equity, and inclusion within organizations, yet its impact on organizational performance remains underexplored, particularly in contexts beyond large publicly listed companies. This essay underscores the need for more empirical research to establish a concrete link between inclusive leadership practices and organizational performance. By developing a preliminary model, the essay attempts to address this research gap, offering a framework for future studies. The potential of inclusive leadership to enhance organizational outcomes, from employee engagement to financial performance, highlights its importance in contemporary leadership development programs. Continued research in this area is essential to fully understand and leverage the benefits of inclusive leadership in diverse organizational settings.

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