Inclusion Is Key to Keeping Canadian High Potentials

CATALYST

About the Catalyst Research Centers

The Catalyst Research Center for Equity in Business Leadership examines and documents workforce demographics and their impact on employees, companies, communities, and society. In particular, the Center identifies how women's underrepresentation affects corporate governance and executive teams, and it explores how diverse leadership contributes to business success. By verifying gaps in representation and creating results-oriented solutions, the Center's findings and recommendations help organizations diversify leadership.

The Catalyst Research Center for Career Pathways exposes root causes of gender gaps from the classroom to the boardroom, conducting research that sorts myth from fact, identifies the true problems that hold women and other underrepresented groups back from advancement, and provides a solid basis for more effective talent development. The Center's findings allow businesses, media, governments, and individuals to gauge women's progress and develop solutions and action plans to advance women into leadership.

The Catalyst Research Center for Advancing Leader Effectiveness explores a central challenge facing today's business leaders: how to leverage employee diversity to achieve success through inclusive decision-making and talent management. The Center's research examines the nature, impact, and practice of inclusive leadership. It helps committed leaders learn how to become individual change agents, shaping the workplace culture by role modeling effective interpersonal interactions and capitalizing on opportunities to build inclusive talent management systems.

The Catalyst Research Center for Corporate Practice conducts research distinguishing sound talent management strategies from programmatic fads and documents best practices. These findings enable organizations to strategically create and support inclusive cultures for both women and men. The Center's partnership with its Expert Community, a consortium of business leaders who contribute to and act on the Center's work, informs organizational policy and practices, leading to actionable solutions and systemic change.

About Catalyst

Founded in 1962, Catalyst is the leading nonprofit organization expanding opportunities for women and business. With operations in the United States, Canada, Europe, India, Australia, and Japan, and more than 800 member organizations, Catalyst is the trusted resource for research, information, and advice about women at work. Catalyst annually honours exemplary organizational initiatives that promote women's advancement with the Catalyst Award.

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Jennifer Thorpe-Moscon

catalyst.org

Canadian Businesses Face a Challenge

The ethnic and cultural diversity of Canada's people is a source of pride, but leveraging this diversity to improve economic performance poses a significant challenge. It's a challenge Canada must meet, however, given the much-lamented talent drain, especially in the tech sector where many have left for Silicon Valley.[1] To compete, Canadian businesses must empower all high-potential talent—both women and men from all backgrounds—to contribute their skills.

Yet many women remain underutilized. Among Canada's high-potential MBA graduates, women start their first job out of business school at lower-ranking jobs than male peers.[2] Women (72%) are more likely to start in an entry-level position than men (58%). Compared to men, women also receive fewer "hot jobs"—those high-visibility assignments that can accelerate career advancement.[3] In order to stop Canada's talent drain, businesses must close these gender gaps and create cultures where women and men have equal opportunities to contribute and succeed. But how? One important strategy for organizations and leaders is focusing on inclusion.

ABOUT THIS SAMPLE

This research is based on a survey that was conducted on 91 people (74% men, 26% women) working in Canada. Participants were employed full-time (97%) or part-time (3%) and had earned their MBA degrees at premier business schools around the globe. Of all respondents: 67% were employed in for-profit corporations or professional service organizations; 18% worked for nonprofit, government, or educational institutions; 53% worked in global organizations; 23% worked for national organizations; and the remainder worked in regional or local firms. At the time of the survey in 2014, 33% held C-suite or senior-executive positions.

"As an organization committed to improving the quality of life wherever we operate, we cannot afford to ignore the solid business case for diversity and inclusion. It is not enough to pay lip service to the importance of fostering an inclusive workplace. We are looking for real systemic culture change."

DEAN JOHNSON

Former President & Chief Executive Officer, Sodexo Canada Ltd.
2014 Catalyst Canada Honours Company/Firm Leader Champion

Inclusion in Canada = Uniqueness + Belongingness?

To create the inclusive cultures that can retain and leverage Canada's diverse talent, leaders first need to understand what inclusion is. In a study Catalyst conducted in six countries—Australia, China (Shanghai), Germany, India, Mexico, and the United States—we found that the experience of inclusion was very similar for employees in all the countries except India. Our findings suggested that leaders working in Australia, China, Germany, Mexico, and the United States could rely on a common set of strategies to help employees feel included—a style of leadership we call EACH that emphasizes empowerment, accountability, courage, and humility.[4]

In the current study, we examined whether Canadians experience inclusion in a way that is similar to employees in Australia, China, Germany, Mexico, and the United States, and we found that they do. As we discovered in the other countries, we found that employee perceptions of inclusion were defined by two distinct components—a sense of uniqueness and a sense of belongingness.[5] When employees feel that they are a valued part of their work groups, they derive a sense of **belongingness**. And when employees perceive that their distinctive contributions are recognized and valued in their work groups, they derive a sense of **uniqueness**. When Canadian employees had *both* a sense of uniqueness and a sense of belongingness, they felt included. These two affective components were essential for Canadian employees to feel included in their workgroups. These findings support the belief held by experts that the needs for uniqueness and belongingness are in fact universal.[6]

"I am very fortunate to work at a company that truly values diversity and inclusion. A key part of my role as a leader at Shell is to champion continuous improvement in this area. It's the right thing to do for women and for our company. Only companies that embrace diverse ways of looking at and relating to the world can achieve great results."

LORRAINE MITCHELMORE

President and Country Chair & Executive Vice President Heavy Oil for Upstream Americas, Shell Canada Limited, 2013 Catalyst Canada Honours Company/Firm Leader Champion

Inclusion Matters

Inclusion has been associated with positive outcomes for both companies and employees. In a previous Catalyst study, we found that inclusion predicted team citizenship and innovation.[7] Inclusion's link to productivity and cooperation adds to the growing evidence of its importance to business performance.

In this study, we found yet another way that inclusion benefits businesses: the data showed that **feeling included was associated with lower turnover risk.**

- Specifically, the **more inclusion** Canadian employees perceived, the **less likely** they were to report intentions of leaving their company.[8]

  □ Only 17% of those perceiving high inclusion claimed a strong intent to leave, as compared to 41% of those perceiving low inclusion.

  □ By contrast, 45% of those perceiving high inclusion claimed a weak intent to leave, versus 7% of those perceiving low inclusion.

FIGURE 1

Intent to Leave by Employee Perception of Inclusion
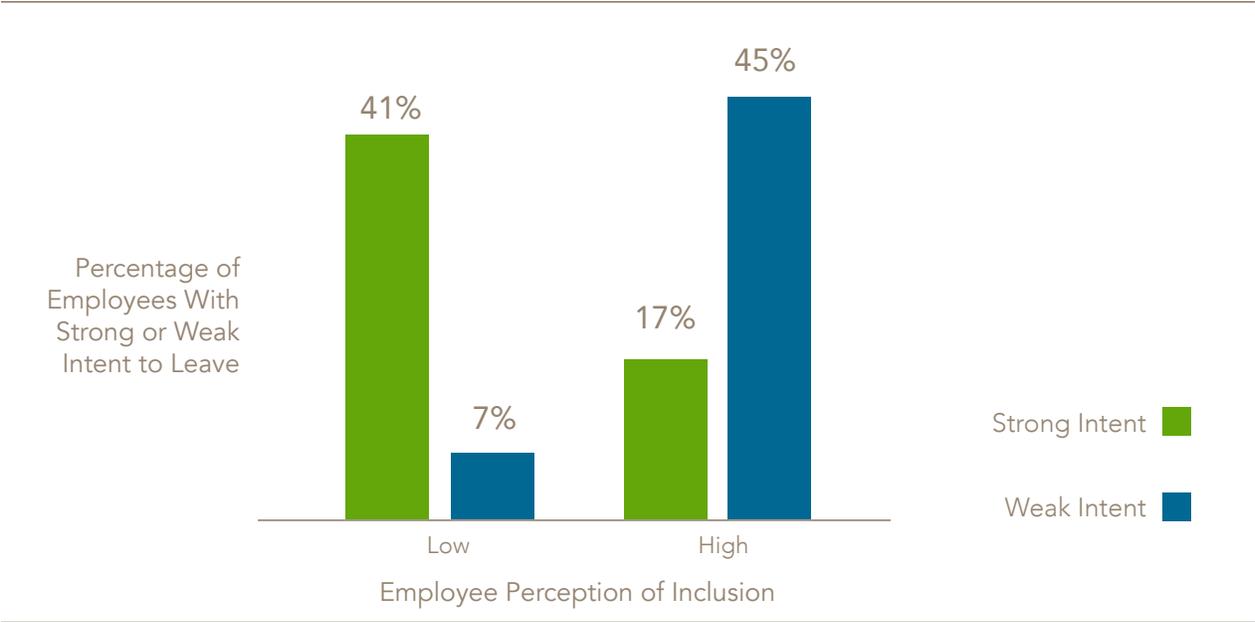
Going further, we also found that the more included employees felt, the more likely they were to report higher satisfaction with their overall work and advancement as well as their supervisors, and the more likely they were to report seeing their company as a great place to work:

- 75% of employees who perceived high inclusion were satisfied with their overall work and advancement, but only 40% of employees who perceived low inclusion felt the same way.[9]

- Also, 86% of employees who perceived high inclusion were satisfied with their supervisors, in contrast to only 23% of employees who perceived low inclusion.[10]

- Finally, 82% of employees who perceived high inclusion saw their company as a great place to work, while only 46% of those who perceived low inclusion did.[11]

"Creating an inclusive workplace for women and helping all employees reach their full potential is more than just the right thing to do—in fact, it's essential to our success....By ensuring inclusiveness and fostering diversity, we've been able to unleash huge amounts of energy and talent at TD."

ED CLARK

Former President & CEO, TD Bank Group
2010 Catalyst Canada Honours Company/Firm Leader Champion

FIGURE 2

Employee Satisfaction by Perception of Inclusion

Work and Advancement — 75% (High Inclusion), 40% (Low Inclusion)

Supervisors — 86% (High Inclusion), 23% (Low Inclusion)

Great Place to Work — 82% (High Inclusion), 46% (Low Inclusion)

High Inclusion
Low Inclusion

Percentage of Employees Satisfied
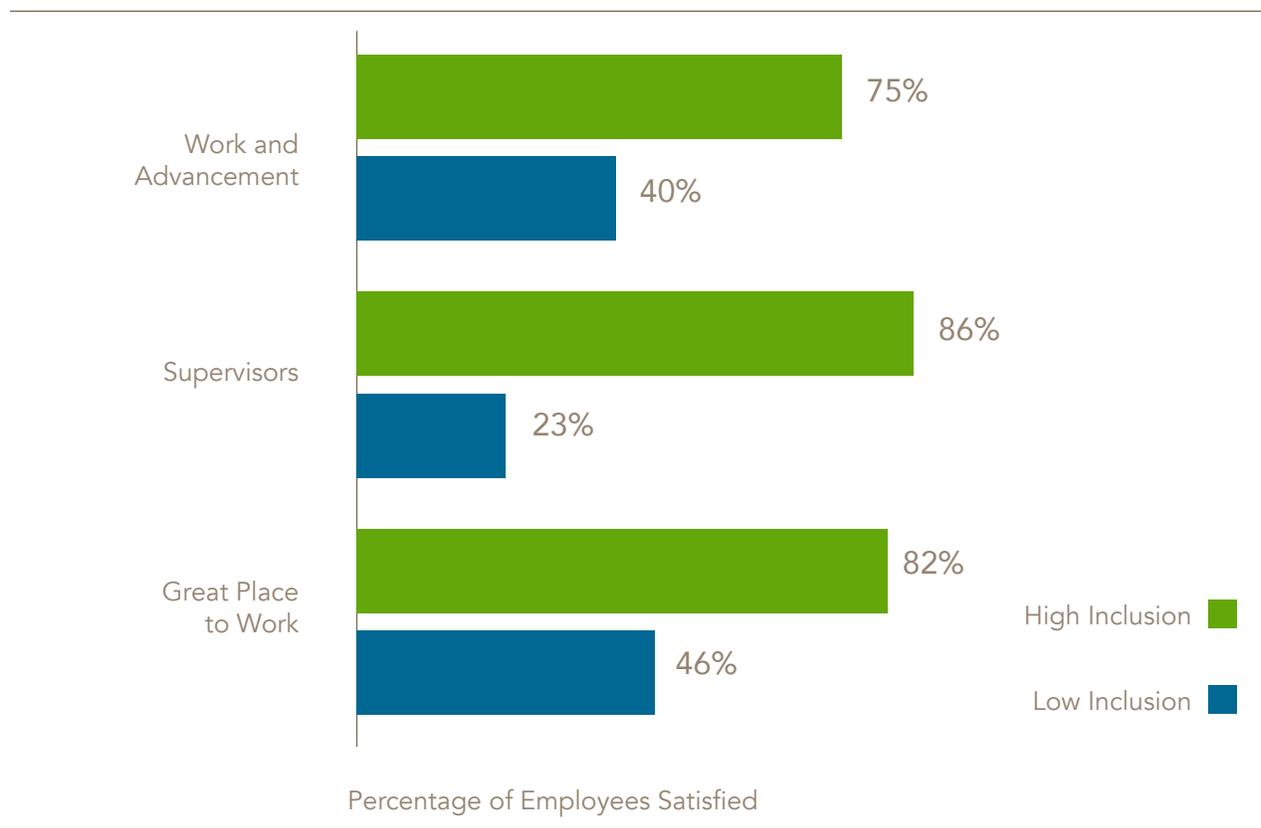
Canada's Talent Wants Inclusion

Making employees feel included may also help mitigate the culture gaps that many Canadian high potentials report in our current study. More than one-quarter (28%) of high-potential Canadian employees surveyed said that their company's culture falls short of their ideal.[12] They report that too many competitive behaviours, such as a focus on power and dominance, prevail in the workplace and that constructive behaviours aren't prevalent enough. This culture gap, in which the perception of existing work culture doesn't measure up to the employee ideal, also predicted high potentials' satisfaction and intentions to stay or leave their current employers.

- The proportion of Canadian high potentials reporting strong intentions to leave their current organization was **four times** greater when the **culture gap** was **wide** (i.e., when there was a wide discrepancy from their ideal) than when it was narrow.[13]

  □ We found that 8% of employees who reported a narrow gap were likely to leave, compared to 38% of those who reported a wide gap.

FIGURE 3

Percentage of Employees Intending to Leave by Size of Culture Gap
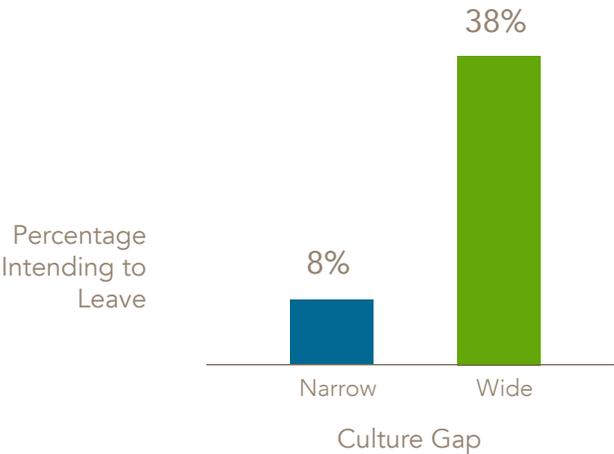
"*It's important to have the right corporate culture to ensure everyone can achieve their full potential and can fully contribute to the success of the organization. I was fortunate that the supportive culture at RBC enabled me to achieve success in both my personal and professional life. At RBC we are proud of our progress and achievements, but we also know this is a journey and there is still more to do.*"

ZABEEN HIRJI

Chief Human Resources Officer, RBC

2014 Catalyst Canada Honours Human Resources/Diversity Leader Champion

In addition, we found that Canadian high potentials were **more likely to be satisfied with their employers, supervisors, and overall work and advancement** when the culture gap was narrow than when it was wide:[14]

- 85% of employees who perceived a narrow gap were satisfied with their overall work and advancement, while 50% of employees who perceived a wide gap were satisfied.

- In addition, 70% of employees who perceived a narrow gap were satisfied with their supervisors, while 50% of employees who perceived a wide gap were satisfied.

- Furthermore, employees who perceived a narrow gap were twice as likely (86%) to see their company as a great place to work as employees who perceived a wide gap (42%).

FIGURE 4
Employee Satisfaction by Size of Culture Gap

Percentage of Employees Satisfied

	Work and Advancement	Supervisors	Great Place to Work
Narrow Gap	85%	70%	86%
Wide Gap	50%	50%	42%

Narrow Gap ■
Wide Gap ■

Importantly, employees were less likely to report a wide culture gap when they felt included. Indeed, behaviours that employees might describe as problematic—such as seeking power, failing to appreciate other perspectives, and "cutthroat" coworkers—can be said to be a result of a lack of inclusion.[15]

- Employees who perceived high inclusion were 184% more likely to report a **narrow** culture gap than those who perceived low inclusion.

- Conversely, employees who perceived low inclusion were 269% more likely to report a **wide** culture gap than those who perceived high inclusion.

Taken together, our findings suggest that companies and leaders that focus on inclusion will be more successful at eliminating the workplace behaviours that can result in perceived culture gaps and regretted losses.

FIGURE 5
Size of Culture Gap by Level of Inclusion

Percentage of Employees Reporting Narrow and Wide Culture Gaps

19%   48%   54%   13%

Low   High

Perception of Level of Inclusion

Narrow

Wide
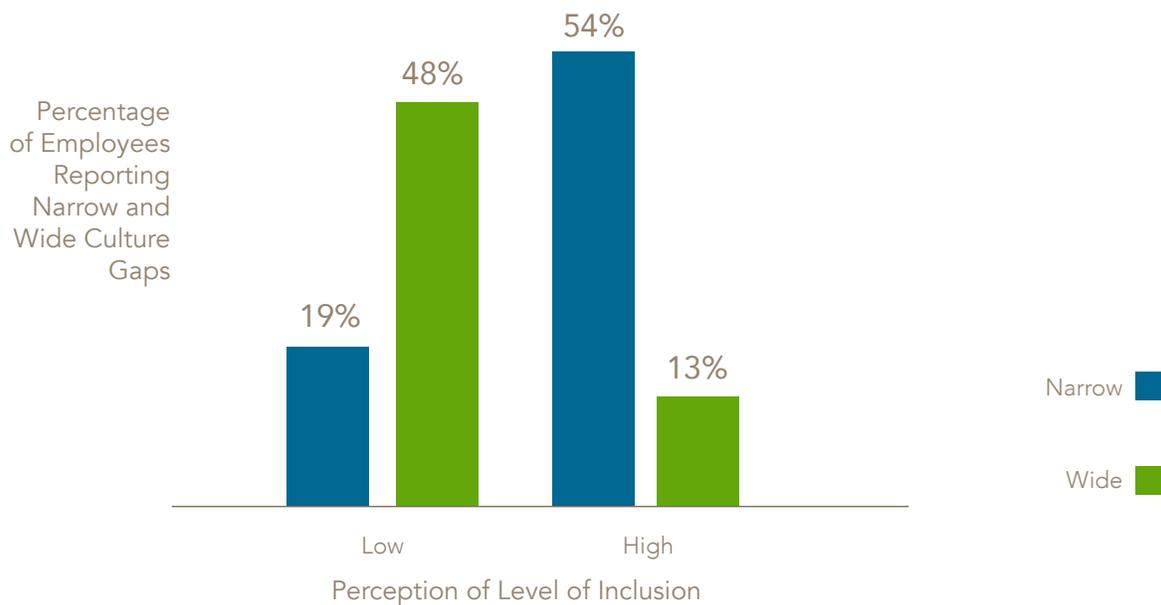
EACH-Centred Leadership Can Drive Inclusion

   Inclusion is thus at the heart of how Canadian employers can retain top talent. Previous Catalyst research[16] points to how leaders can bring inclusion to life in their workgroups. To create an inclusive work environment, leaders must exhibit four behaviours: empowerment, accountability, courage, and humility (EACH). These behaviours have been shown to predict inclusion, which promotes both innovation and team citizenship in countries around the world[17] as well as feeling safe at work.[18]

EMPOWERMENT
Enable direct reports to develop and excel.

ACCOUNTABILITY
Demonstrate confidence in direct reports by holding them responsible for performance they can control.[19]

Strategies for enacting Empowerment and Accountability:[20]

- Provide "Air Cover": Air cover is providing protection and support—in the open as well as behind closed doors—when employees encounter difficulty or challenges in their efforts to innovate and deliver results.

- Create a Coaching Culture: Embed EACH leadership as an expectation to which all members of your team will be held. For example, peer coaching, where every member of your leadership team, including you, provides coaching to and receives coaching from another team member on a regular basis, can help establish EACH behaviours as normative.

LEADING WITH EMPOWERMENT AND ACCOUNTABILITY

"The biggest hurdle in empowerment is the fear of losing control, as there is an assumed correlation between control and power. But leadership needs to be comfortable that, for empowerment to be meaningful, a certain level of loss will need to occur. The flip side to that loss is the growth in organizational talent. I can still recall my first attempt at empowering an assistant to take accountability for a decision-making process. I was extremely nervous, not because the assistant was not competent, but more about the consequences of failure, as I was unclear of the tolerance level of the organization for failure. I spoke to my leader, who assured me of his confidence in my judgment as well as the receptivity of the organization to learning through failure. This was all I needed to 'reach for the stars' in my role.

I also recall trying to close a deal once, but being paralyzed with concern about how the Chairman would react, because I knew that he always liked to have the last say in any external deal regardless of size. Such a situation stifles growth and is one leadership must avoid. The loss of the deal due to the time-sensitive nature of the decision process gave the Chairman an opportunity to reflect on the level of empowerment for his leaders. This resulted in a number of changes, but it took the loss of a potentially lucrative deal."

WILLIAM ONUWA
SVP and Head of Risk Wealth Management, Insurance and RBC Georgia

COURAGE

Put personal interests aside to achieve what needs to be done. Act on convictions and principles even when it requires personal risk-taking.

HUMILITY

Admit mistakes. Learn from criticism and different points of view. Acknowledge and seek contributions of others to overcome one's limitations.[21]

Strategies for enacting Courage and Humility:[22]

- Share Struggles: Be transparent about struggles and adverse circumstances. Rather than avoiding or concealing problems, enable your employees to share in the responsibility and leadership needed to overcome adversity.

- Lead With Heart: Show vulnerability and make authentic connections with your followers. Having the courage to lead with heart equips you to support and empower your employees in the ways they need most.

Leaders who enact these behaviours show a concern for their direct reports and team over their own personal interests, and convey to employees that they are valued both as unique contributors and as equal members of the team. With these behaviours, Canadian leaders can create workplace inclusion and achieve many positive outcomes for their businesses.

LEADING WITH COURAGE AND HUMILITY

"As a Senior Vice President at RBC, after spending my entire career in Banking, I took a leap of faith and moved to a completely new business. I had an established, successful career, and many questioned my choice to take on this new challenge. Not only was I changing businesses, but I was moving from front-line sales and market leadership to back-office operations and technology transformation. It was a difficult decision, and I was truly out of my comfort zone. I was open with my new colleagues and willing to learn from their experiences, but I have no doubt I made some mistakes along the way.

However, I realized quickly that leadership is transferable, and I was there for what I did know, not what I didn't know. As women, we often focus on the qualifications we don't have instead of all the skills and experience we bring to the table. In these situations, it's important to have courage and be willing to take risks because it's through these opportunities, the ones that stretch you and make you uncomfortable, that you will learn and grow the most."

LAURA GAINEY
SVP Services & Operations, RBC Insurance

RESOURCES FOR COMPANIES

Inclusive leaders create the constructive and non-competitive cultures that high-potential Canadian employees need. Train your leaders to use EACH behaviours to include all of your top talent and increase retention at your company.

Selected resources:
- Quiz: Are You an Inclusive Leader?
- CatalystX course on edX.org: Inclusive Leadership Training: Becoming a Successful Leader
- Report: *Inclusive Leadership: The View From Six Countries*
- Report: *The Secret to Inclusion in Australian Workplaces: Psychological Safety*

Endnotes

1. Alec Scott, "Lessons From Canada's Silicon Valley Diaspora," *The Globe and Mail*, February 23, 2012.
2. Anna Beninger, *High-Potential Employees in the Pipeline: Maximizing the Talent Pool in Canadian Organizations* (Catalyst, 2013).
3. Anna Beninger, *High-Potential Employees in the Pipeline: Maximizing the Talent Pool in Canadian Organizations* (Catalyst, 2013).
4. Jeanine Prime and Elizabeth R. Salib, *Inclusive Leadership: The View From Six Countries* (Catalyst, 2014).
5. A confirmatory factor analysis revealed good fit for a model specifying two first-order latent factors (uniqueness, derived from four items in our survey, and belongingness, derived from three items) and one second-order factor (inclusion): $X^2(13) = 18.535$, $p > .10$; CFI = .986, TLI = .977, SRMR = .026, RMSEA = .065.
6. Roy F. Baumeister and Mark R. Leary, "The Need to Belong: Desire for Interpersonal Attachments as a Fundamental Human Motivation," *Psychological Bulletin*, vol. 117, no. 3 (1995): p. 497–529; Marilynn B. Brewer, "The Social Self: On Being the Same and Different at the Same Time," *Personality and Social Psychology Bulletin*, vol. 17, no. 5 (October 1, 1991): p. 475–482.
7. Jeanine Prime and Elizabeth R. Salib, *Inclusive Leadership: The View From Six Countries* (Catalyst, 2014).
8. Inclusion predicts turnover, $b = .53$, $p < .01$.
9. Inclusion predicts progression satisfaction, $b = .68$, $p < .001$.
10. Inclusion predicts supervisor satisfaction, $b = 1.06$, $p < .001$.
11. Inclusion predicts seeing the company as a great place to work, $b = .49$, $p < .001$.
12. We measured workplace culture using items from the Organizational Culture Inventory (OCI)®. These items are behavioral statements that fall into several clusters—two of which we focused on for this report: 1) constructive behaviors such as maintaining one's integrity, collaborating with others, achieving one's potential, and supporting others to do the same; and 2) competitive behaviors such as striving for perfection and power, competing with others, and opposing others' ideas. The OCI® was developed by Robert A. Cooke and J. Clayton Lafferty and has been validated and used in numerous peer-reviewed studies. We examined the culture gap by asking high potentials working in Canada to rate items from the OCI® twice—first to tell us what it currently "takes to 'fit in' and be successful" in their organizations, and a second time to tell us what they would prefer it take to fit in and be successful. The greater the disparity between these two sets of ratings, the wider the culture gap.
13. Among men only, 11% of those reporting a narrow gap and 42% of those reporting a wide gap intended to leave, and among women only, 0% of those reporting a narrow gap and 33% of those reporting a wide gap intended to leave. Culture gap significantly predicts turnover intention, $b = -.06$, $p < .001$ (higher scores on continuous turnover intent scale reflect greater intention to stay).
14. Culture gap is a significant predictor for all three measures of satisfaction with organization; $ps < .05$.
15. Inclusion significantly predicts culture gap, $b = -2.87$, $p < .05$.
16. Jeanine Prime and Elizabeth R. Salib, *Inclusive Leadership: The View From Six Countries* (Catalyst, 2014).
17. Jeanine Prime and Elizabeth R. Salib, *Inclusive Leadership: The View From Six Countries* (Catalyst, 2014).
18. Jeanine Prime and Elizabeth R. Salib, *The Secret to Inclusion in Australian Workplaces: Psychological Safety* (Catalyst, 2015).
19. Catalyst, *Inclusion Matters* (2015).
20. Jeanine Prime and Elizabeth R. Salib, *The Secret to Inclusion in Australian Workplaces: Psychological Safety* (Catalyst, 2015).
21. Catalyst, *Inclusion Matters* (2015).
22. Jeanine Prime and Elizabeth R. Salib, *The Secret to Inclusion in Australian Workplaces: Psychological Safety* (Catalyst, 2015).

Acknowledgments

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