



Leadership Habits:

How to Hire & Retain Diverse Leaders





AT A GLANCE



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Diversity and the
next generation
of leaders

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ABOUT THE STUDY

Women and minorities still face many barriers in attaining leadership roles. ***Leadership Habits: How to Hire & Retain Diverse Leaders*** is the latest comprehensive study of fairness in how organizations identify and prepare the next generation of leaders.

This report stems from a partnership between Pinsight, a leadership assessment and development firm, and researchers from Purdue University and George Mason University. We collected data from 129 organizations that together employ over half a million people and span most industries. We studied how these organizations identify high-potential employees (employees who show potential for a leadership role) and select successors for executive positions with a particular focus on diversity. We also studied 328 managers (most held midlevel and senior management jobs) to understand their unconscious biases when deciding who shows potential for leadership.

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Introduction

INTRODUCTION

Organizations must rethink how they identify future leaders – today's practices are often influenced by unconscious bias and result in unintentional discrimination, leaving potentially more capable talent behind.

Little progress has been made in achieving diversity in leadership roles. At the current rate of improvement, women may hold only one more percent of leadership positions ten years from now.¹ This shocking lack of progress persists despite decades of American corporations claiming that they care about diversity and are taking corrective action.

Historically, corporations have taken steps to ensure fairness in hiring, but progress has been lagging in promotions. This is especially important as the *war for talent*² has forced organizations to search for leadership talent internally and invest in growing their own leaders. Over the past few decades, many organizations have adopted systems and processes to identify leadership talent from within and actively groom a select few individuals for promotion.

Because many organizations today grow their own leaders, decisions about who gets a promotion happen one to two years before the actual promotion. For instance, employees who are identified as having leadership potential benefit from special assignments, networking opportunities, and executive coaching, which give them a clear advantage at the point of promotion. If women and racial minorities are prevented from accessing the same developmental opportunities, they are at a disadvantage and cannot compete. This is why it's important to not only study the promotion decision itself, but also the upstream tributaries feeding that decision – the systems and processes organizations use to identify future leaders.

1 Thomas, R., Cooper, M., Konar, E., Rooney, M., Noble-Tolla, M., Bohrer, A., Yee, L., Krivkovich, A., Starikova, I., Robinson, K., Nadeau, M., & Robinson, N. (2018). Women in the Workplace 2018. Retrieved from McKinsey & Company database.

2 War for talent refers to the heightened competition among companies in recruiting and retaining talented employees that comes with tighter labor markets.





PROMOTION

The rung isn't necessarily broken at the point of promotion.

The crack happens much earlier, in HR processes that identify and prepare future leaders: high-potential employee and emerging leader programs and succession planning.

Many speak of the *glass ceiling* that holds women back - the invisible but systemic barrier that prevents women from accessing top leadership positions. This notion points our attention to the top of the leadership pipeline and implies that women are stopped only at the very top - at the point of promotion to senior executive roles. However, Lean In and McKinsey³ found that the obstacle for women and racial minorities is in place much earlier in the climb to leadership; they termed this the *broken rung*.

The broken rung refers to the inability of women to take the first step up to frontline management at rates equal to men, despite being equally represented in entry-level positions and holding more university degrees than men.⁴ When their careers are held back at this first step of promotion, more women become stuck in entry-level roles and men outnumber women at the manager level. Over time, there are fewer and fewer women to hire and promote into management, and the ratio of women in senior executive roles decreases.

Despite the far-reaching repercussions of the broken rung, the scale and genesis of the problem is not entirely understood. Executives and even HR leaders are often overly optimistic about the state and progress of diversity in leadership roles. Many assume that the root cause of the issue lies in lower qualifications among women, lack of executive sponsorship, or different standards for women leaders. Our research refutes these assumptions by identifying exactly where the rung is broken and how to repair it. We found that a large part of the problem is in the process of *how organizations identify the next generation of leaders* and consequently who they end up grooming for promotion.

3 Thomas, R., Cooper, M., Konar, E., Bohrer, A., Mohsenin, A., Yee, L., Krivkovich, A., Starikova, I., Huang, J., & Zanoschi, D. (2019). Women in the Workplace 2019. Retrieved from McKinsey & Company database.

4 Thorbecke, C. (2019, October 13). 'Broken rung' in corporate ladder stops women from getting to the top: Report. abcNews. Retrieved from <https://abcnews.go.com/Business/broken-rung-corporate-ladder-stops-women-top-report/story?id=66262275>

When identifying future leaders, a large majority of organizations utilize internal practices that rely on the judgment of management. Despite hours of training and everyone's best intentions, we found that *unconscious bias* (stereotypes that people don't know they have) significantly influences managers' perceptions of who has leadership potential. This bias is then reflected in disproportionately more men than women being identified as having potential for leadership and thus receiving the special training and developmental resources.

The benefits of being identified as a potential future leader are substantial. Organizations invest significantly more in developing these employees, on average \$4,000 USD per year.⁵ Due to *unintentional discrimination* in many organizations, women and racial minorities are less likely to be identified as having leadership potential. Therefore, they are less likely to benefit from such special training and resources designed to prepare them for a promotion faster. As a result, they are denied access to executive coaching, networking opportunities with senior executives, and high-visibility projects that strategically position their equally capable non-minority colleagues for a promotion. Without these resources and special attention, women and racial minorities often end up being left out and passed over for promotion.

The case for repairing the broken rung is powerful for everyone. If women were promoted to frontline management roles at an equal rate to men, approximately one million more women would hold management positions in corporate America in the next five years.⁶ The positive impact of having more capable people in leadership roles makes repairing the broken rung imperative.

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The broken rung refers to the inability of women to take the first step up to frontline management at rates equal to men

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5 Sinar, E., Wellins, R. S., Canwell, A. L., Ray, R. L., Neal, S., Abel, A. L., Popiela, A., Dettmann, J., Collins, L., Rolland, L., & Cotton, T. (2018). Global Leadership Forecast: 25 Research Insights to Fuel Your People Strategy. Retrieved from EY database.L,

6 Thomas, R., Cooper, M., Konar, E., Bohrer, A., Mohsenin, A., Yee, L., Krivkovich, A., Starikova, I., Huang, J., & Zanoschi, D. (2019). Women in the Workplace 2019. Retrieved from McKinsey & Company database.

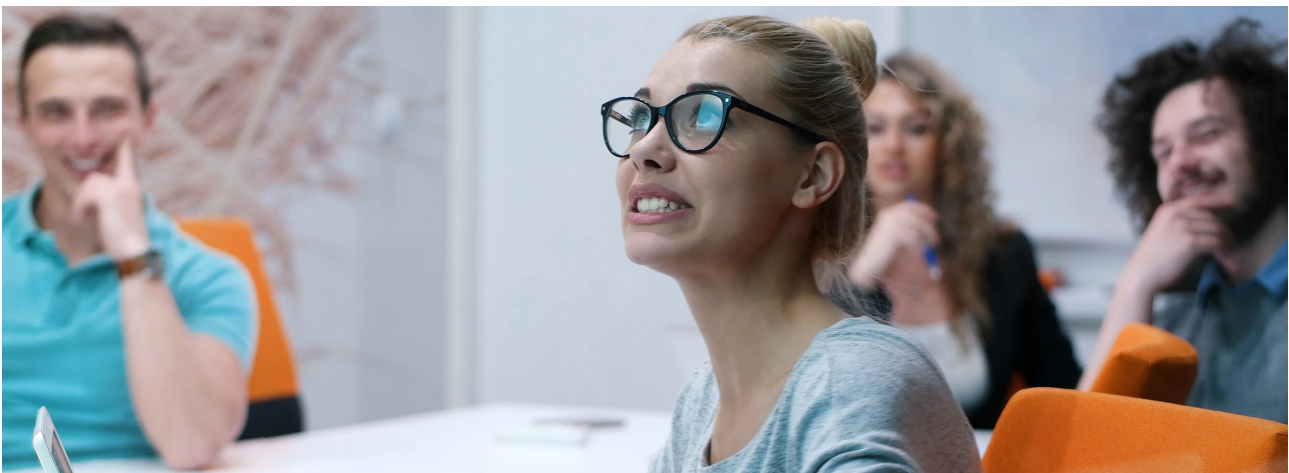


How Companies Identify Future Leaders

HOW COMPANIES IDENTIFY FUTURE LEADERS

By far, most companies rely on management to identify the next generation of leaders.

To plan for the future and compete in the war for talent, organizations must determine which employees have the aptitude to grow and take on greater responsibility. Employees who show potential to grow into leadership roles are often described as *high-potential employees or emerging leaders*. Having potential for leadership is commonly understood as possessing the basic personal qualities and intellectual abilities that, once developed, will ultimately lead to future success and high performance. Once identified as high-potentials, these employees join an (often) unofficial pool and receive disproportionately more training and resources to accelerate their development.

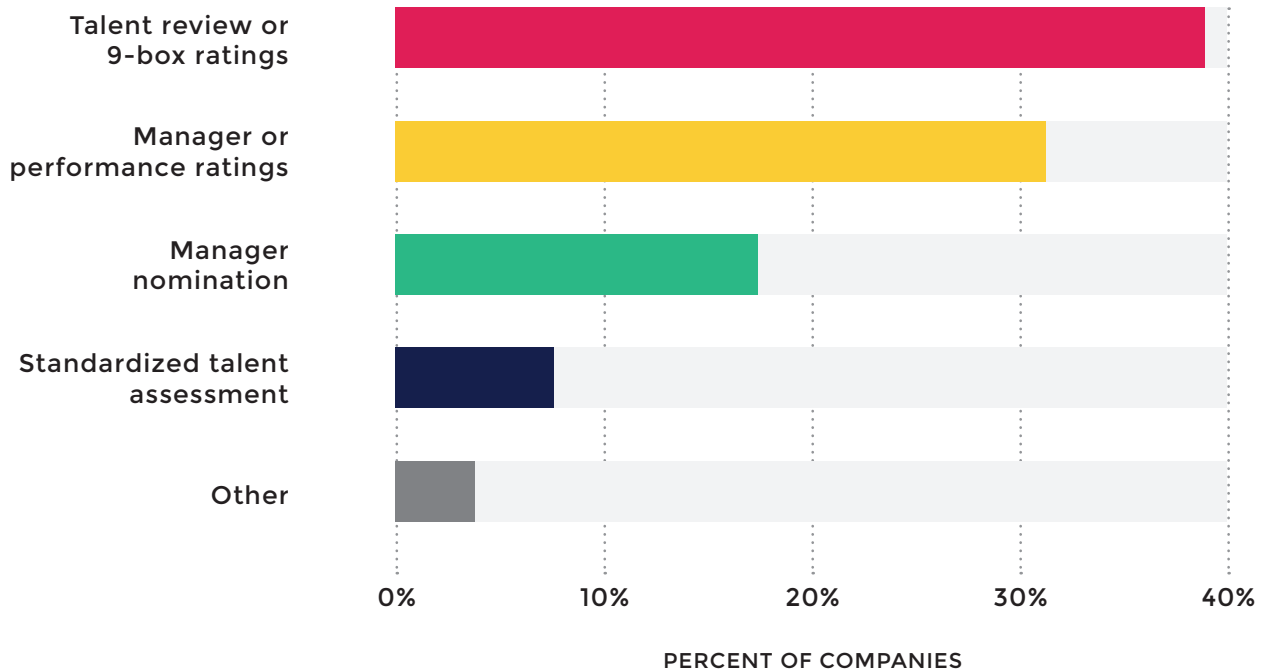


High-potential programs consist of a vast array of experiences, resources and opportunities, including but not limited to: personal assessments, coaching, executive education, involvement in special projects, and opportunities to network and increase visibility with senior members of the organization. As employees access these resources, their readiness to take on larger roles and climb the corporate ladder increases. With increased readiness, these protégés move to the front of the line when promotion opportunities become available. But whether their increased readiness is due to programmatic intervention or simply the *Pygmalion effect*⁷ is unknown.

We have discovered that **unequal access to the designation and resources of high-potentials leaves women and minorities behind and is the crack in the broken rung**. While some proactive companies monitor diversity in promotion rates, we found that scrutiny should be directed to steps earlier in the process leading up to promotion – beginning with the way organizations identify high-potential employees.

⁷ Pygmalion effect refers to the phenomenon that our expectations of someone may actually affect that person's performance. For example, if managers expect an employee to be a high-potential, his or her performance may improve just by virtue of that expectation.

How are high-potential employees (emerging leaders) identified in the company?



IDENTIFYING HIGH-POTENTIALS

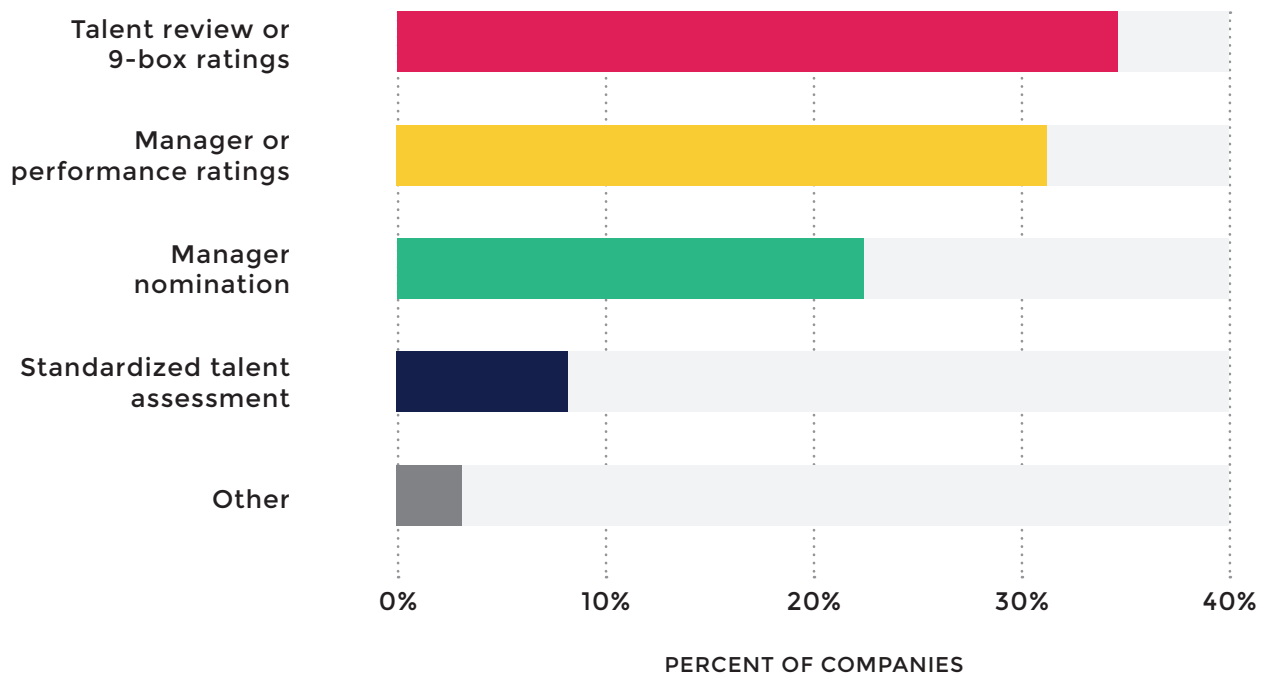
Our research shows that **88% of companies rely on management** to identify high-potentials: **39% of companies ask managers to complete 9-box ratings** either prior to or during a talent review meeting. The 9-box is a tool that managers use to rate on one axis employees' current performance in their job (low, medium, high) and on the other axis their perception of employees' potential to grow into a bigger role (low, medium, high).

The second most popular method for identifying high-potentials (31% of companies) is managerial ratings of performance. Performance ratings differ from a 9-box assessment in that a 9-box relies on general ratings of performance (low, medium, high), while performance ratings usually consist of a more comprehensive scale to evaluate various areas of job performance like goals, tasks, behaviors, and competencies.

The third most popular method for identifying high-potentials is asking managers to directly nominate employees into the program (18%).

Finally, only 8% of companies bring more objective data to the decision process in the form of standardized talent assessments, such as cognitive ability, personality, or other attributes.

How are successors for key executive roles identified in the company?



SELECTING SUCCESSORS

Although many companies have started DEI initiatives, little progress has been made in achieving diversity in leadership roles.

While high-potential employees may have a longer journey to a leadership role ahead of them, successors are expected to reach their target role much faster. A successor is the next person in line to receive a promotion into a specific role once the position becomes vacant. Organizations usually invest significant resources to prepare and retain these select few employees for key positions as part of the organization's risk management strategy.

We found that **most companies (89%) rely solely on management** to select successors for key roles: 35% of companies identify successors in talent review meetings or through 9-box ratings; almost a third of companies (32%) make these decisions based on managerial ratings of performance; and 23% ask managers to nominate their successors directly. As with high-potential selection, only 8% of companies base succession decisions on more objective assessment data.

It may seem obvious that managers would be well positioned to judge their employees' achievements, track record, and future potential. Indeed, our research highlights that most organizations place a lot of trust in their managers to accurately identify future leaders. But sample research has shown that managers are not the best judges of employees' performance and potential. For example, one study found that over half of performance ratings actually reflected the person completing the ratings (i.e., the manager) rather than the person being rated (i.e., the employee).⁸ In fact, less than 30% of performance ratings reflected the actual person being rated. This means that organizations should not consider managers to be a reliable source of data for business decisions about the next generation of leaders.

⁸ Scullen, S. E., Mount, M. K., & Goff, M. (2000). Understanding the latent structure of job performance ratings. *Journal of Applied Psychology*, 85(6), 956–970.

Case Study

BLIND AUDITIONS FOR LEADERSHIP ROLES

Before symphony orchestras began implementing blind auditions, only 10% of the musicians were women.⁹ It was not uncommon for conductors to select and advance their students and personal favorites. But blind auditions, with the performers playing behind a screen, eliminated unconscious bias and forced conductors to make decisions based on the individual musical performance.

To provide unbiased insight into leadership competence, CenturyLink, a Fortune 500 technology company, has introduced an element of the blind audition concept when selecting employees for Vice President and Director level roles. For three hours, candidates engage in an online simulation and demonstrate their leadership competencies in areas that are important in successfully performing those roles, like customer focus, problem solving, execution, collaboration, and communication.

Candidates' performance in the job simulation is rated by third-party consultants who have no pre-existing relationship with them, and their future potential is measured using personality and learning agility tests. Unbiased data from this assessment is then presented to management to guide promotion decisions, ensuring that those decisions are based on merit and leadership competence.

We found that the “blind auditions” are **fair to men and women and to all races**; there is no statistically significant difference in their scores.¹⁰ And the assessment strongly predicts successful employee retention under the leader: Leaders who score high on the assessment are **6x more likely to retain talent** than leaders who score low.¹¹

9 Goldin, C. & Rouse C. (2000). Orchestrating impartiality: The impact of “blind” auditions on female musicians. *The American Economic Review*, 90(4), 715-741.

10 Results of the t-test comparing simulation performance scores for men and women: $t(161) = -0.40, p > .05$. Results of the ANOVA comparing simulation performance scores for racial groups: $F(3, 160) = 0.45, p > .05$.

11 Results of the correlation between simulation scores and employee turnover under the leader: $r(46) = -.38, p < .01$. We corrected the correlation for attenuation using .77 and .99 as the reliability estimates for the simulation scores and turnover data, respectively. The corrected correlation is $r = -.44$.

The background of the entire image is a repeating geometric pattern of interlocking triangles and diamonds in various shades of yellow and gold. The pattern is dense and covers the entire area.

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Blind Auditions are fair
to men and women

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Unconscious Bias In Talent Decisions

UNCONSCIOUS BIAS IN TALENT DECISIONS

Most managers show unconscious bias against women and racial minorities when deciding who has leadership potential.

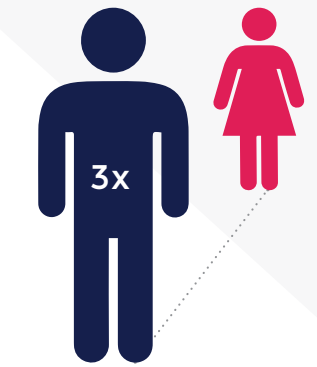
After discovering that the overwhelming majority of organizations rely solely on management to select future leaders, we next tested whether unconscious bias can impact managers' decisions regarding who shows potential for leadership. We studied 328 managers who held mainly midlevel or senior management roles and represented most industries. We tested their unconscious bias using a well-accepted method developed at Harvard University.¹²

In this test, we measured the strength of mental association between positive words characteristic of future leaders like *ambitious*, *dynamic*, and *leader-like* with stereotypically female and ethnic names. Because the test measures differences in response speed, it picks up on biases that respondents are usually not even aware they have.

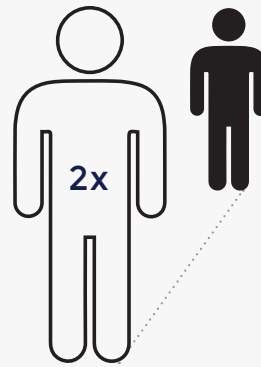
¹² Project Implicit. (2011). Retrieved from <https://implicit.harvard.edu/implicit/index.jsp>.







Men are 3x more likely to be identified as having leadership potential than Women

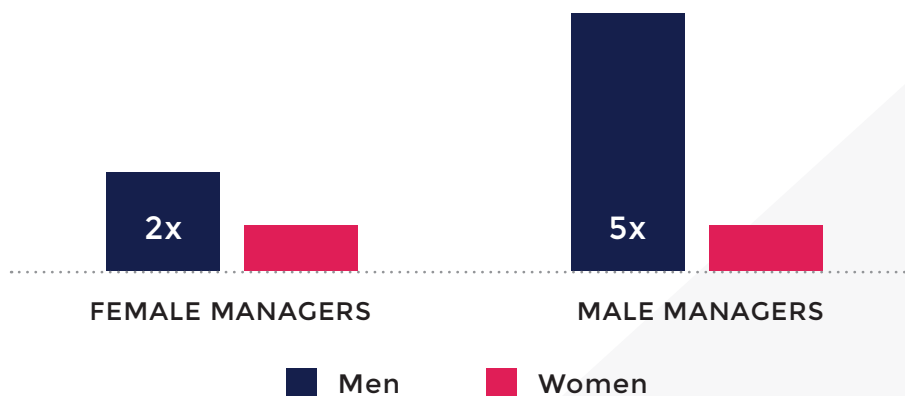


White men are 2x more likely to be identified as having leadership potential than Black men

We found unconscious bias across all managers, male and female:

- On average, managers are *three times* more likely to select men as having potential for leadership than women.¹³
- And when it comes to race, managers are *two times* more likely to select White men as having leadership potential than Black men.¹⁴

Unconscious Bias in High-Potential Selection



We found that male managers show stronger unconscious bias than female managers. When identifying high-potential employees, **male managers are five times more likely to select men than women.**¹⁵ Interestingly, female managers show the same direction of bias but the bias is weaker: **Female managers are two times more likely to select men than women** as high-potentials.¹⁶

This bias is likely present whenever managers make decisions about who the future leaders are, whether they be defined as high-potential employees or successors for key roles. Given the fact that almost 90% of organizations rely solely on managers to make these decisions, we next studied whether there are disproportionately fewer women and racial minorities in today's high-potential programs and on succession plans.

¹³ Results of t-test comparing female and male names: $t(144) = 7.84, p < .01, d = 0.65$.

¹⁴ Results of t-test comparing Black and White names: $t(146) = 3.62, p < .01, d = 0.30$.

¹⁵ Results of t-test for male managers only: $t(72) = 7.29, p < .01, d = 0.85$.

¹⁶ Results of t-test for female managers only: $t(70) = 4.09, p < .01, d = 0.49$.



Diversity In The Next Generation Of Leaders

DIVERSITY IN THE NEXT GENERATION OF LEADERS

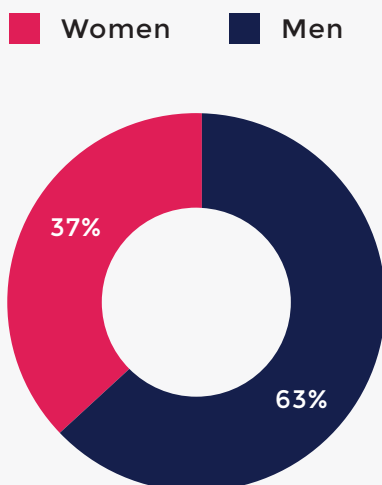
For every woman organizations actively groom for a leadership position they groom almost twice as many men.

We found that there are almost twice as many men as women in high-potential programs today. We would expect the numbers to be equal based on the total number of men and women in the organizations we studied.

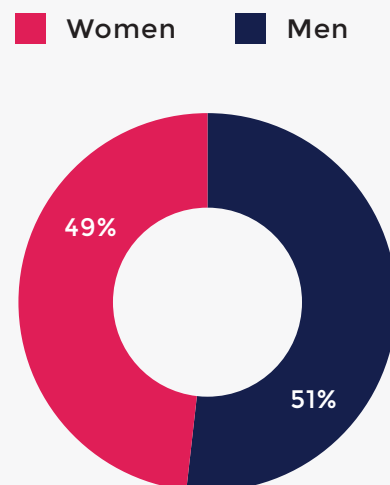
This is a real disadvantage for women: Our results suggest that unconscious bias in high-potential selection limits women's access to the special training and resources that organizations make available only to high-potential employees.

Without these resources and special attention, women often end up being left out and passed over for promotion.

IN HIGH POTENTIAL PROGRAMS



TOTAL EMPLOYEE POPULATION

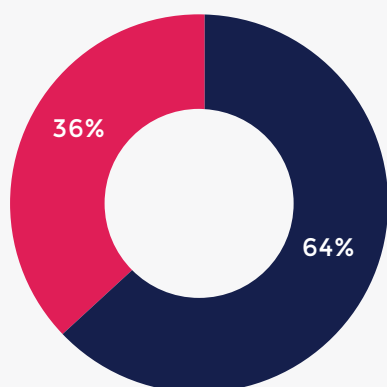


Pinsight's previous research found that women generally outperform men on several leadership skills most predictive of success in leadership positions, suggesting that women and men are at least equally capable of performing at managerial levels.¹⁷

However, we see a pattern of gender disparity in succession planning similar to what we observed for high-potential programs. Compared to the distribution of gender in the employee population, we would expect half of successors to be women. But in reality, there are almost twice as many men as women on today's succession plans. For every woman who is next in line for a key leadership position, there are almost twice as many men.¹⁸

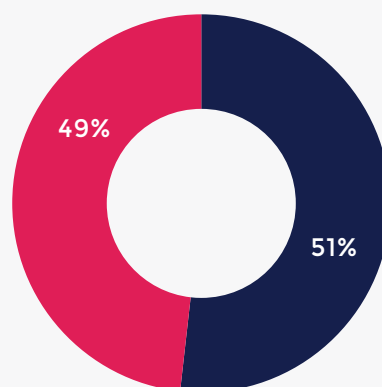
ON SUCCESSION PLANS

■ Women ■ Men



EMPLOYEE POPULATION

■ Women ■ Men



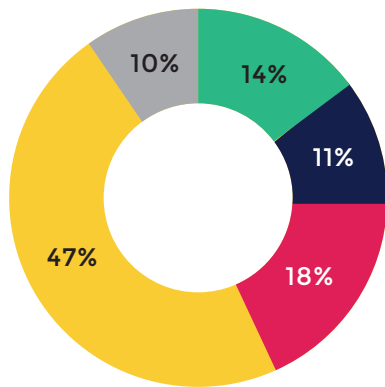
¹⁷ Pinsight. (2019). Technical Manual. Retrieved from Pinsight database.

¹⁸ Other perspectives on why women are less likely to ascend to leadership roles include career preference and work-family considerations (Kossek, Su, & Wu, 2017).



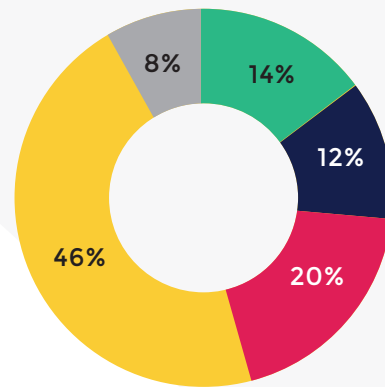
IN HIGH-POTENTIAL PROGRAMS

Asian Black Hispanic
White Other



TOTAL EMPLOYEE POPULATION

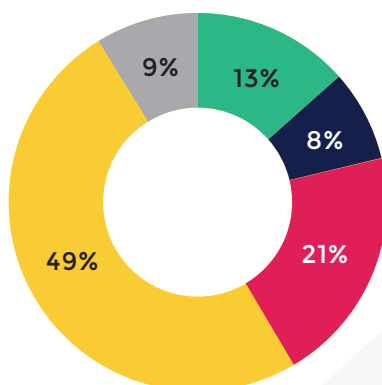
Asian Black Hispanic
White Other



Regarding racial group representation in today's high-potential programs, we see more parity. There is a roughly proportional representation of different racial groups in high-potential programs compared to the distribution in the total employee population at the companies we studied.

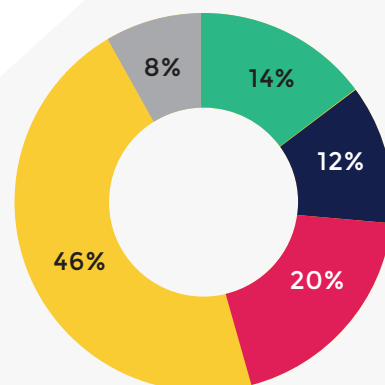
IN SUCCESSION PLANS

Asian Black Hispanic
White Other



EMPLOYEE POPULATION

Asian Black Hispanic
White Other



A similar pattern is emerging with today's succession plans. Compared to the total employee population at the companies we studied, organizations are selecting a proportionate number of individuals from different racial backgrounds as successors for key positions.



Unintentional Discrimination In Selecting Future Leaders

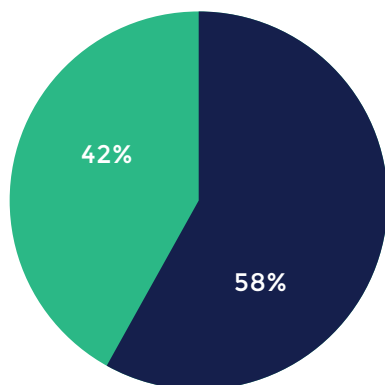
UNINTENTIONAL DISCRIMINATION IN SELECTING FUTURE LEADERS

When selecting future leaders, we found unintentional discrimination against women in almost 1/2 of organizations and against racial minorities in 2/3 of organizations.

We compared the proportions of gender and racial groups in high-potential programs and succession plans to the proportions in the employee populations in each one of the companies we studied.¹⁹ This enabled us to estimate the *selection ratio* for each group and consequently determine if women or racial minorities are being selected into high-potential programs and succession plans at a lower rate in that company. U.S. federal enforcement agencies have asserted that unintentional discrimination exists if the selection ratio of a protected group (i.e., women and racial minorities) is less than 80% of the selection ratio of a non-protected group.²⁰

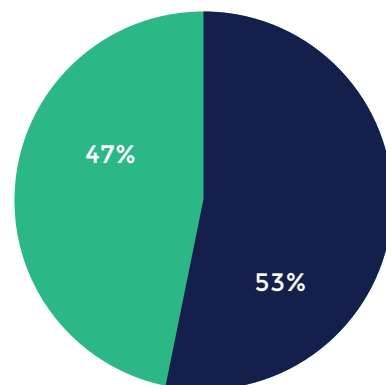
Percent of Organizations Showing Unintentional Discrimination Against Women in High-Potential Selection

■ Discrimintaion exists ■ No discrimination



Percent of Organizations Showing Unintentional Discrimination Against Women in Succession Planning

■ Discrimintaion exists ■ No discrimination



We found unintentional discrimination against women in 42% of organizations for high-potential selection and 47% for succession planning. In these organizations, women are being selected as high-potentials or successors from among female employees at a significantly lower rate than men from among male employees, exposing the organizations to legal risk.

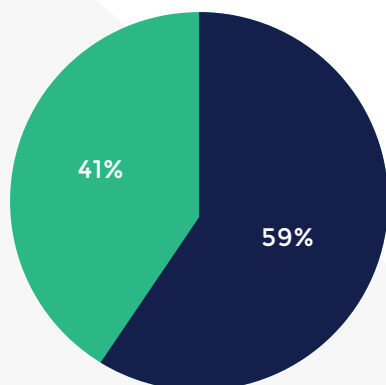
¹⁹ We used the demographic composition of the entire organization as an estimate of the more direct applicant pool that might feed such programs.

²⁰ Dunleavy, E., Morris, S., & Howard, E. (2015). Measuring adverse impact in employee selection decisions. In Practitioner's guide to legal issues in organizations (pp. 1-26). Springer, Cham.



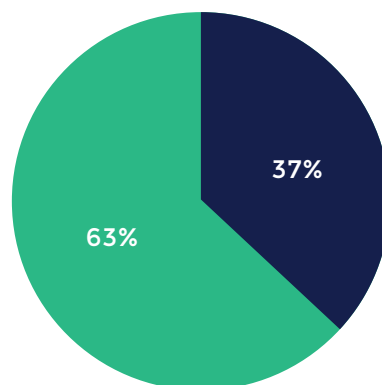
Percent of Organizations Showing Unintentional Discrimination Against Racial Minorities in High-Potential Selection

■ Discrimintaion exists ■ No discrimination



Percent of Organizations Showing Unintentional Discrimination Against Racial Minorities in Succession Planning

■ Discrimintaion exists ■ No discrimination



Although we found mostly proportional representation of racial groups in high-potential programs and on succession plans across all companies we studied, when examining the selection ratios in each company individually, we found unintentional discrimination in a large number of them. In high-potential selection, we found unintentional discrimination against racial minorities in 41% of companies. And in succession planning, we found unintentional discrimination against racial minorities in almost 2/3 of companies. This prevalence of *adverse impact* is exposing organizations to serious legal risk.

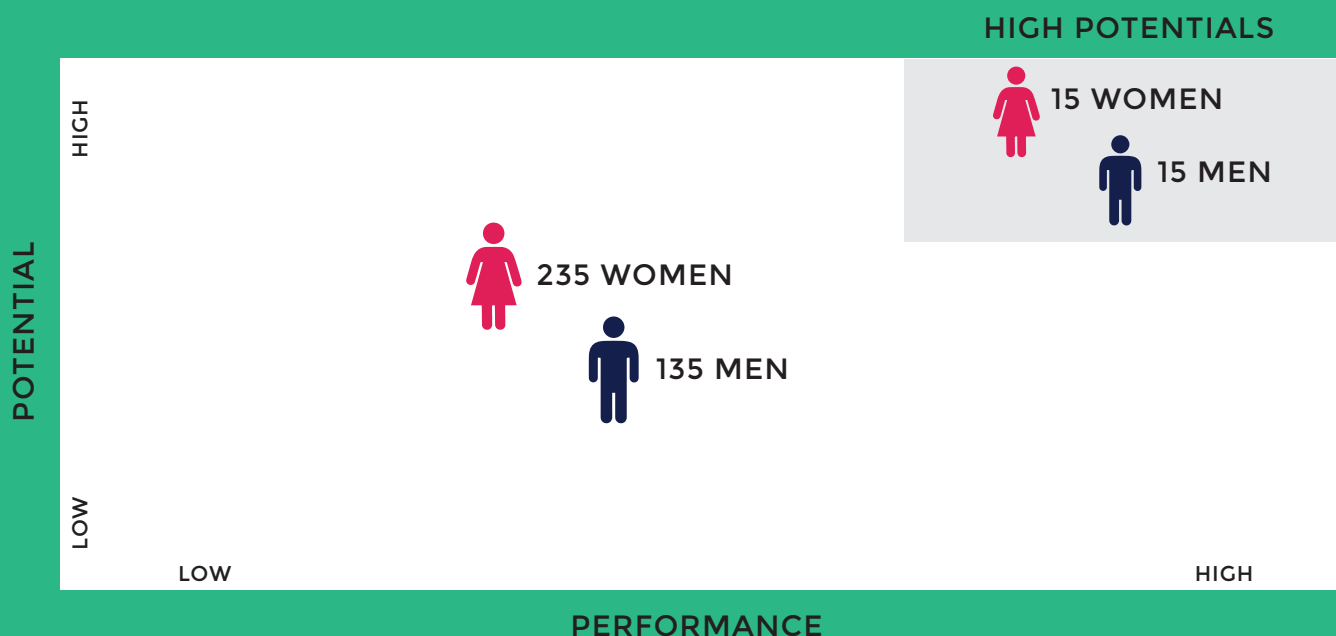
Case Study

MONITORING UNINTENTIONAL DISCRIMINATION

Classifying employees as high-potentials or placing them on succession plans constitutes an employment decision similar to hiring, and so should be scrutinized for potential discrimination in much the same way.

This involves comparing the selection rates for subgroups of employees depending on their demographic status – commonly referred to as adverse impact analysis. Although many statistical methods exist to measure *adverse impact*, a common heuristic used by the courts to determine if discrimination has occurred is the four-fifths rule.²¹ According to this rule, discrimination exists if one group is selected at less than 80% of the selection ratio of a non-protected group.

For example, a group of executives may be reviewing 400 employees in several talent calibration meetings and plotting them on the 9-box. Together they rate 250 women and 150 men. Looking at the 9-box grid, 15 women and 15 men end up in the top right box and are recommended to the company's high-potential program. Although it may seem that an equal number of men and women were identified as high-potentials, their selection ratio is different. The selection ratio for women is $15/250 = 6\%$ and for men it's $15/150 = 10\%$. To calculate if unintentional discrimination occurred, we divide the *selection ratio* for women by the selection ratio for men, $6/10 = 60\%$. In this case, the talent review process discriminated against women since women were selected at less than 80% of the selection rate of men.²²



The 9-box is a common method used to collect and organize managerial ratings of employees' current performance and future potential. Using this tool, managers are asked to sort employees into low, medium, and high categories based on their observations of employees' performance and predictions of future potential.

21 Dunleavy, E., Morris, S., & Howard, E. (2015). Measuring adverse impact in employee selection decisions. In *Practitioner's guide to legal issues in organizations* (pp. 1-26). Springer, Cham.

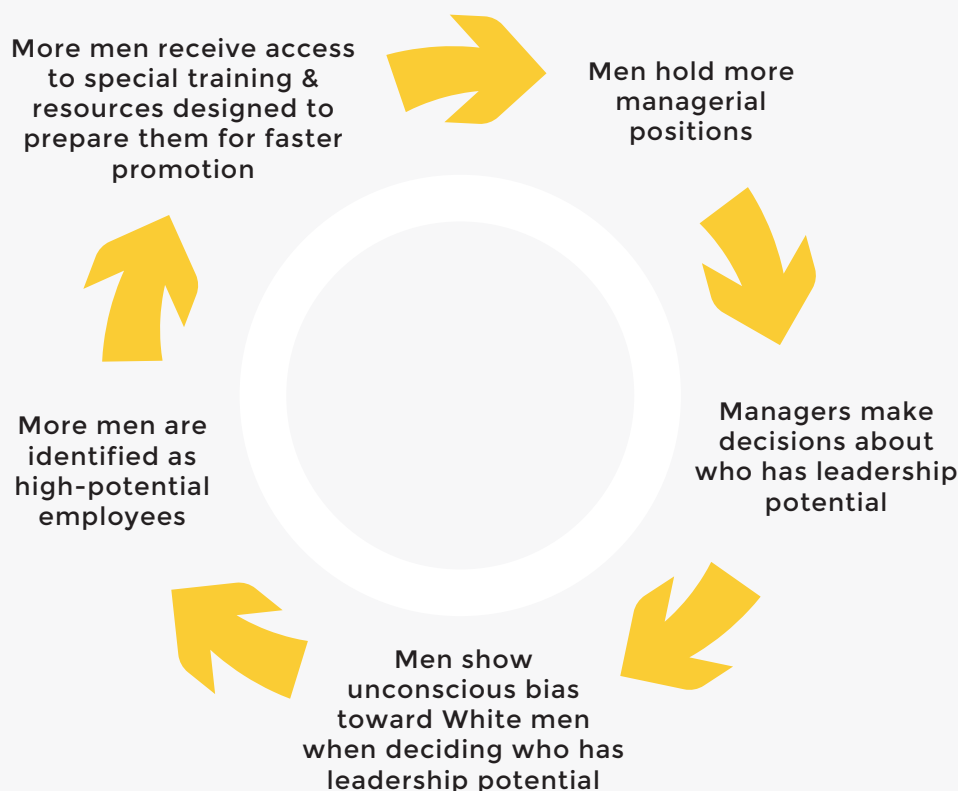
22 Note that other methods exist for computing adverse impact. The most appropriate method depends on the situation and sample size.



Conclusions

CONCLUSIONS

Repairing the broken rung will ensure that people are promoted based on merit, not gender or race, thus enabling talented people to reach leadership positions where they can make a positive impact on the business, society, and the economy.



Our study revealed that the rung is broken because of a self-perpetuating cycle leading up to promotions: men hold more managerial positions; managers make nomination decisions about who has high potential; men hold more positive assumptions (biases) towards other White men when evaluating leadership potential; more men are identified by their managers as high-potential employees; high-potential employees get access to more developmental resources and are more likely to be promoted; as a result, men are promoted more often and hold more managerial positions.

The implication of our findings is clear: organizations must expand their efforts to tackle bias in talent decision-making to include the identification and development of future leaders. So long as managers continue to be the gatekeepers for who gets access to special development resources, the issue will remain. As long as biased decisions about the next generation of leaders go unchecked, companies will continue to leave potentially more capable talent on the table.

REQUEST A DEMO

Pioneer change. Level the playing field. Lead your team to strong talent decisions. Talent decisions made using [Pinsight's solutions](#) are better for your people and your bottom line. *Let us show you how.*



CONCLUSIONS

Many organizations have focused on tackling unconscious bias and discrimination in hiring decisions. This is a positive step, but it is not enough to address the problem. As the war for talent has forced organizations to grow future leaders from within, now is the time to start combating bias and discrimination in post-hire talent decisions, such as identification of high-potentials and succession planning. Repairing this broken rung will give women and minorities an equal chance to compete for promotion by ensuring that they benefit equally from the special training and resources reserved for high-potentialls and successors.

To level the playing field for women and minority groups, and to ensure that the most capable individuals are placed in leadership roles, organizations must move away from the proceduralized discrimination inherent in HR practices that rely on manager ratings to identify the next generation of leaders (e.g., 9-box assessment, performance ratings, manager nominations, etc.). Instead, organizations should turn to more objective measures of performance and potential that are free of bias and better predict employees' future success. Businesses must use better tools for evaluating talent for leadership roles, or else run the risk of losing profits, losing talented people, and inviting lawsuits.

At first glance the internal HR practices designed to identify and prepare the next generation of leaders may seem objective and fair. But our research shows that these methods are undermined by unconscious bias and often result in discrimination. Ultimately these practices block talented people from reaching the levels of leadership where they can flourish and make a positive impact. This is not a diversity issue, but a business, societal, and economic imperative to get the most talented people into leadership positions as fast as possible. If organizations fix the broken rung, people will be promoted based on merit, not gender or race, and diversity will eventually take care of itself. The end goal is not just equality, but creating a competitive advantage for the business with the best talent.

REQUEST A DEMO

Pioneer change. Level the playing field. Lead your team to strong talent decisions. Talent decisions made using [Pinsight's solutions](#) are better for your people and your bottom line. *Let us show you how.*

WHAT CAN BE DONE

We have identified five steps that organizations can take to repair the broken rung and so ensure fairness in selection and development of future leaders.

Step 1: Get the data

Start by obtaining data about your current practices for identifying high-potential employees, emerging leaders, and succession pools. Monitor the balance in these programs with the same rigor you apply to hiring decisions. Calculate adverse impact against any protected group periodically, after talent review cycles or managerial ratings. Review industry trends and best practices as well as legal cases to ensure that you are aware of risks and trends in this space.

Step 2: Roll out bias training for all

Bias training is a good starting point, but understand that it is meant to increase awareness of the issue, not solve it – you can't train bias out of people. All humans use biases to save time and energy when making decisions. Training can increase awareness of what biases exist, how they can affect organizational decision making, and where to look for them in talent reviews, high-potential selection, and succession decisions. Because most people are reluctant to see their own biases, use data from your organization as evidence that even your managers show bias.

Step 3: Turn up the rigor

Apply rigor to your existing processes for identifying high-potential employees and successors across the entire leadership pipeline, from frontline managers all the way to senior executive roles. Examine not just how those decisions are made, but exactly how the processes are executed: Do managers write down names and submit them in a sealed envelope? Or is there a transparent assessment in place? Are nomination criteria clearly defined? Do you have a validated list of the characteristics and attributes needed for employees to access high-potential programs?

Step 4: Identify selection criteria

Formulate the criteria for high-potential and successor selection based on science, and insist that managers use these during the nomination process. What characteristics best predict success in leadership roles at your company? Educate managers on the criteria and what potential performance looks like for future leaders. Use the criteria in the nomination and selection process, and ask managers to provide evidence that their candidates meet the criteria. Communicate the criteria to all employees to reinforce a culture of fair and consistent standards in selection to high-potential programs and succession plans.

Step 5: Introduce blind auditions

Help managers make better decisions by giving them more objective data about employees' readiness and future potential. Similar to our case study, you can set up a simulation of a leadership role and invite trained assessors who have no prior relationship to the candidates to observe their performance. Seeing all employees in the same standardized situation and using a validated set of criteria, you will arrive at a more objective evaluation of their leadership potential and readiness.



LEGAL CASE

LEGAL CASE AGAINST BIAS IN IDENTIFYING “EMERGING TALENT”

A recent case brought against Corning Inc., a multinational technology company, challenges the practice of relying on upper management to identify future leaders at the company.²³ According to the plaintiff, biased employee evaluations made it more difficult for women and Black employees to achieve the designation of “emerging talent,” and so they were prevented from accessing special training, important networking opportunities, promotions, and ultimately higher pay.

Following the 2011 Supreme Court ruling in favor of Walmart,²⁴ Corning’s attorneys sought to dismiss the class action on the grounds of the plaintiffs lacking commonality – that there’s not a *common policy or practice causing the discrimination*. The interpretation of the Supreme Court was that managers acting independently in their decision process is the exact opposite of a common practice or policy.

In February 2019, a federal court ruled against Corning, allowing the plaintiffs to proceed as class action. It stated that upper management coming together as a cohesive group to determine employee evaluations and designation of emerging talent is a common practice that affects all plaintiffs.

This ruling is significant because it challenges internal HR practices (talent reviews, 9-box ratings, succession planning, or high-potential nominations) that rely solely on managerial discretion and may inadvertently discriminate against a protected group. To mitigate the legal risk, it may be wise to monitor unintentional discrimination regularly and incorporate more objective metrics to increase the quality of talent decisions.

²³ Woods-Early v. Corning Corp., 18-CV-6162 (2018).

²⁴ Wal-Mart Stores, Inc. v. Dukes, 564 U.S. 338 (2011).

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Author Bios

Martin Lanik

Martin Lanik is the author of the international bestseller *The Leader Habit* and CEO of Pinsight, a leadership assessment and development firm. Fairness is Martin's driving principle that is reflected in his life philosophy: the power and status that come with leadership roles should be awarded based on merit and not based on what people look like or where they come from. Martin has dedicated his career to creating solutions that ensure that the best people take up leadership positions where they can have the greatest positive impact on employees' well-being, business performance, our communities, and the society at large. Martin holds a Ph.D. in Industrial/Organizational Psychology from Colorado State University.

Michelle Brown

Michelle Brown is Vice President of Client Success at Pinsight. Michelle's 20 years of experience as a clinical psychologist, management consultant, and client services leader has equipped her with a unique perspective to solving complex talent issues and improving operational outcomes. As a partner in a boutique consulting house, Michelle led dozens of transformation projects with multinational organizations in a cross section of industries, with demonstrated improvements in employee engagement, organizational culture, health and safety, supply chain, leadership effectiveness, customer experience and productivity. She holds an Executive MBA from the University of Denver and an Honors Degree in Psychology from the University of Queensland.

Nicole Strah

Nicole Strah is a Ph.D. candidate in Purdue University's Industrial/Organizational Psychology doctoral program. She earned her M.S. from Purdue University in 2018. Her main research interests revolve around gender equality in the workforce, diversity, organizational justice, and the intersection between psychology and the law.

Deborah E. Rupp

Deborah E. Rupp, Ph.D., is a Professor of Psychology at George Mason University. She was formally Professor and William C. Byham Chair in Industrial-Organizational Psychology and Research Integrity Officer at Purdue University; and previous to that, Associate Professor of Psychology, Labor/Employment Relations, and Law at the University of Illinois at Urbana-Champaign. Her research has focused on legal issues surrounding human resource management and equal employment opportunity; organizational justice, behavioral ethics, and corporate social responsibility; as well as issues surrounding testing and assessment by organizations. Her research has been cited in U.S. Supreme Court proceedings, and she has consulted to myriad organizations around the world. She has published six books and over 100 papers in the field's top outlets, sits on the editorial boards of five journals, and is the former Editor-in-Chief of *Journal of Management*. She sits on the advisory boards of Amazon Conservation Team, Pinsight, the Thornton Institute for Assessment Centers, and the Georgia Tech Work Science Center.

Young-Jae Kim

Young-Jae Kim is a Research Analyst at Pinsight. He has more than seven years of experience in the psychological assessment and human resources management industry. He has operated many assessment center projects and conducted leadership development programs and organizational research in the United States and South Korea. Young-Jae holds a M.S. degree in Management Science from KAIST, and is currently a Ph.D. candidate in Industrial/Organizational Psychology at the University of Georgia.



Methodology

Corporate Sample

We invited organizations to participate in this study through email invitations and advertisements on social media. We targeted mainly HR, talent management, or organizational development professionals in organizations to complete our online survey. Between August and October of 2019, we collected data from 129 organizations that represented most industries:

Agriculture, Forestry, Fishing and Hunting	1.69%
Utilities or other related services	4.24%
Construction	0.85%
Manufacturing	18.64%
Wholesale or Retail Trade	7.63%
Transportation & Warehousing	2.54%
Information	3.39%
Finance and Insurance	9.32%
Real Estate, Rental, and Leasing	1.69%
Professional, Scientific, and Technical Services	14.41%
Education Services	3.39%
Health Care and Social Assistance	9.32%
Arts, Entertainment, and Recreation	0.85%
Public Administration	3.39%
Mining	1.69%
Other	16.95%

Our sample included organizations of various sizes in terms of annual revenue in USD:

Less than \$ 10 million	17.5%
\$ 10 to \$ 500 million	39.7%
\$ 500 million to \$ 1 billion	15.9%
\$ 1 billion to \$ 100 billion	22.2%
More than \$ 100 billion	4.8%

Similarly, we included organizations of various sizes in terms of number of employees:

1 - 10	3.2%
11 - 50	6.4%
51 - 200	9.5%
201 - 500	20.6%
501 - 1,000	3.2%
1,001 - 5,000	11.1%
5,001 - 10,000	17.5%
10,001 +	28.6%

The people who actually filled out our online survey worked in the following job functions:

Human Resources	26.3%
Talent Management	14.1%
Organizational Development	17.5%
Training/Learning and Development	5.3%
Operations	26.3%
Others	10.5%

We asked them to report their familiarity with diversity of high-potential employees in the company:

Somewhat familiar	17.80%
Moderately familiar	33.90%
Extremely familiar	39.83%

And we ask them to report their familiarity with diversity of successors for key roles in the company:

Somewhat familiar	20.34%
Moderately familiar	33.90%
Extremely familiar	27.97%

Managerial Sample

To measure unconscious bias among managers we designed an online test following the Implicit Association Test methodology.²⁵ Participants were asked to categorize words and names into two categories of Leadership Potential or Follower. Through this design, we tested the degree to which people associated female names with leadership potential versus male. Similarly, we then tested the strength of association between stereotypically Black names and leadership potential and stereotypically White names and leadership potential.

We recruited participants online with the condition that they must have been located in the United States and had at least 6 months of management experience. We compensated them for their time with a credit of \$1 USD.

In total, we tested 328 managers who were, on average, 42 years old and had 12 years of managerial experience. The gender distribution of our sample was fairly even:

Men	51.1%
Women	47.9%
Gender diverse	1.0%

In terms of racial group, majority of our managerial sample was White:

Asian or Pacific Islander	3.3%
Black or African American	9.1%
Hispanic or Latino	4.2%
White or Caucasian	79.8%
Other or Multiracial	3.6%

Regarding education level, over half of our sample was college educated:

Less than secondary school	0.3%
High school/secondary/associate/diploma	41.7%
BA/BS degree	41.4%
Master's degree	15.0%
Doctorate degree or higher	1.6%

Similarly, a majority of our sample was in middle- or senior-management roles:

Owner/Partner	10.5%
Upper/Senior Management	17.3%
Mid-level management	48.0%
First-line management/Team leader	22.2%
Non-management/Individual contributor	2.0%

The managerial sample represented many different industries:

Agriculture, Forestry, Fishing and Hunting	1.6%
Utilities or other related services	0.6%
Construction	1.6%
Manufacturing	8.4%
Wholesale or Retail Trade	25.3%
Transportation & Warehousing	5.2%
Information	5.2%
Finance and Insurance	6.5%
Real Estate, Rental, and Leasing	4.5%
Professional, Scientific, and Technical Services	5.5%
Education Services	3.2%
Health Care and Social Assistance	12.7%
Arts, Entertainment & Recreation	5.5%
Public Administration	2.6%
Mining	0.0%
Other	11.4%

25 Banaji, M. R., & Greenwald, A. G. (2016). Blind Spot: Hidden Biases of Good People. Bantam Books: New York.

Limitations

It is important to note the limitations of our study:

- Given the sensitive nature of the data we collected from organizations, many respondents from the corporate sample didn't answer all questions. This means that several analyses are based on a subset of the 129 organizations where we had data.
- Our survey to organizations was confidential and we took steps to prevent multiple entries per organization as much as possible. However, it is still possible that multiple individuals from the same organization completed the survey.
- Our calculations of unintentional discrimination are based on estimates made by the individuals responding to our survey. Hence they should be understood as estimates and not the absolute truth.
- Our managerial sample was not very diverse. We could see potentially less unconscious bias with more diversity.

ACKNOWLEDGMENTS

We would like to thank the 129 organizations that participated in this study. They have contributed to the general knowledge about how companies identify and prepare the next generation of leaders. Their data allowed us to better understand where the rung is broken for women and racial minorities on their climb to leadership roles and how to fix it.

We would also like to thank the 328 managers who allowed us to test their unconscious biases when identifying future leaders. We acknowledge how humbling it is to realize that, despite all of our good intentions, our unconscious mind still colors our perceptions.

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Pinsight's mission is to bring fairness to leader selection, development, and succession through unbiased people insights and highly personalized leadership development solutions. More than 100 companies - including AIG and CenturyLink – have implemented their programs, which have been featured in Forbes, Fast Company, Chief Executive, Investor's Business Daily, and Business Management Daily. Learn more at www.pinsight.com.



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