

BEYOND SYMBOLISM: LEADERSHIP ATTRIBUTES FOR GENUINE AND SUSTAINED IMPLEMENTATION OF DEI STRATEGIES IN LONDON SMES

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Abstract

London represents one of the world's most hyper-diverse business ecosystems, encompassing over 21,615 Small and Medium Enterprises (SMEs) and 287 distinct ethnic groups. Although Diversity, Equity, and Inclusion (DEI) initiatives are essential for leveraging this diverse talent pool, SMEs frequently struggle to transcend symbolic commitment or performative "greenwashing." Prior scholarship predominantly examines workforce perspectives or large corporate frameworks, leaving a critical empirical void regarding SME leadership dynamics. Addressing this gap, this qualitative study investigates how leadership attributes—specifically within Transformational and Inclusive leadership paradigms—enable authentic and sustained DEI execution in London SMEs. Based on semi-structured, in-depth interviews with nine SME leaders (primarily CEOs) with 12 to 20 years of executive experience, thematic analysis reveals that relying solely on either transformational or inclusive leadership in isolation yields inconsistent, short-term outcomes. Sustainable DEI demands a dual-paradigm integration supplemented by three mandatory core pillars: Vision and Strategic Alignment, Executive Commitment, and Impact Measurement and Accountability. Based on these empirical insights, a revised conceptual framework is proposed to guide organizational leadership and HR strategy in resource-constrained environments.

1. INTRODUCTION

London's commercial landscape is defined by its hyper-diverse economic and demographic structure. Small and Medium Enterprises (SMEs) constitute over 98% of the capital's commercial entities, employing 45% of its workforce across 21,615 active firms (Ciao, 2023). Operating alongside a population encompassing 287 distinct ethnic groups and 300 languages, London SMEs must harness diverse human capital to maintain global competitiveness (Oyinlade, 2006). However, while approximately 74% of UK organizations report implementing Diversity, Equity, and

Inclusion (DEI) initiatives, operationalizing these policies within SMEs remains problematic (Sherriff, 2024).

Unlike multinational corporations equipped with specialized Human Resource Management (HRM) divisions, legal counsel, and dedicated DEI taskforces, SMEs operate under distinct structural constraints (Milian & Wijesingha, 2023). They typically rely on the personal conviction, empathetic capability, and behavioral traits of owner-managers or executive officers (Sherriff, 2024). Consequently, DEI adoption in SMEs is vulnerable to performative execution,

"greenwashing," or social washing—where DEI exists as a public relations artifact or marketing campaign rather than an embedded operational principle (Fawaz & Peers, 2022; Gardner et al., 2022).

Existing management literature heavily emphasizes workforce experiences or corporate DEI frameworks, under-conceptualizing the specific behavioral traits required of SME leaders to move beyond superficial compliance (Ng et al., 2024). To resolve this gap, this paper examines the interplay between Transformational and Inclusive leadership styles in supporting genuine, long-term DEI in London SMEs. Specifically, this study addresses the central research question: *How do transformational and inclusive leadership approaches support the genuine and sustained implementation of DEI strategies in SMEs in London?*

2. LITERATURE REVIEW & THEORETICAL FRAMEWORK

2.1 The SME Context and the DEI Operational Gap

In the UK, 5.7 million SMEs generate 61% of total employment (SME Today, 2023). Empirical research demonstrates that robust DEI integration enhances innovation, complex problem-solving, financial returns, and employee retention by creating psychological safety and organizational belonging (Nwoga, 2023; Ponce et al., 2023). Conversely, fewer than 30% of SMEs achieve sustained DEI integration (SME Today, 2023). This disconnect is driven by financial constraints, lack of tailored implementation roadmaps, and reliance on generic corporate templates unsuited for small-scale operations (Kraus et al., 2022; Rajhans et al., 2023).

2.2 Leadership Paradigms in DEI Implementation

Theoretical approaches to DEI leadership draw extensively from two paradigms: Inclusive Leadership and Transformational Leadership.

Inclusive Leadership Theory: Formulated around leader behaviors that facilitate belongingness and value individual uniqueness (Cenkci et al., 2019; Walumbwa et al., 2008), inclusive leadership emphasizes six signature

traits: cognizance of bias, courage, commitment, cultural intelligence, curiosity, and collaboration (Malik, 2023). Inclusive leaders foster psychological safety, active listening, and open dialogue (Bakari et al., 2017). However, critics note that inclusive leadership often lacks strategic planning and organizational vision, risking conversion into ad-hoc inclusion campaigns rather than institutionalized structures (Cenci et al., 2022).

Transformational Leadership Theory: Rooted in Burns' (1978) paradigm, transformational leadership inspires followers to transcend self-interest for collective organizational goals through four dimensions: Idealized Influence (role modeling), Inspirational Motivation (vision), Intellectual Stimulation (challenging status quo), and Individualized Consideration (mentorship) (Avolio & Bass, 2004; Ugochukwu, 2025). While transformational leaders excel at driving strategic change and organizational growth (Uzougbo et al., 2024), their goal-oriented drive can lack the empathetic depth and relational sensitivity required to navigate complex socio-cultural diversity (Crosby, 2022).

2.3 Theoretical Divergence & The Performative Risk

As summarized in literature, SMEs tend to adopt either transformational or inclusive practices in isolation. When transformational leadership operates without inclusive empathy, DEI strategies become top-down mandates focused on institutional reputation, increasing the risk of performative greenwashing (Gardner et al., 2022; Spurdens & Bloyce, 2022). Conversely, when inclusive leadership operates without transformational vision and strategy, DEI efforts remain informal, vulnerable to budget cuts, and lack structural accountability (Kimbrel, 2021). This study explores the synthesis required to transcend these isolated limitations.

3. METHODOLOGY

3.1 Research Philosophy & Design

Underpinned by an *interpretivist epistemology* and a *relativist ontology*, this study investigates leadership behaviors as socially constructed

phenomena shaped by subjective experiences and organizational context (Corbin & Strauss, 2015; Saunders et al., 2019). A qualitative, inductive research design was adopted to capture the nuances of executive decision-making, behavioral traits, and socio-cultural interactions in London SMEs (Patton, 2015; Saldana, 2021).

3.2 Sampling & Data Collection

Purposive sampling was utilized to recruit nine executive leaders (CEOs, Senior VPs, Operating Directors) across diverse SME sectors in London. Inclusion criteria required participants to hold direct strategic responsibility for organizational culture and DEI implementation, with professional experience ranging between 12 and 20 years.

Table 1: Profile of Participant Sample

ID Code	Primary Leader Classification	Executive Designation	Industry Sector	Leadership Experience
P1 (RC)	Transformational	Chief Executive Officer	Professional Services	20 Years
P2 (FD)	Transformational	Chief Executive Officer	Creative & Media	19 Years
P3 (DG)	Transformational / Inclusive	Associate Director / CIPR President	Public Relations & Comms	18 Years
P4 (FB)	Transformational / Inclusive	Chief Executive Officer	Management Consulting	12 Years
P5 (SG)	Inclusive	Chief Executive Officer	Non-Profit / Social Enterprise	13 Years
P6 (HM)	Inclusive	CEO / Comms Consultant	Strategic Communications	20 Years
P7 (SI)	Transformational	Senior Vice President	Technology & Software	15 Years
P8 (CG)	Transformational	Chief Executive Officer	Digital Marketing	19 Years
P9 (KD)	Inclusive	Operations Director	Business Operations	17 Years

Primary data were collected via 60-minute semi-structured virtual interviews using Microsoft Teams, enabling audio-visual recording and automated transcription. A 15-item open-ended instrument was designed across five thematic sections: (1) Leadership & DEI Vision, (2) Operational Implementation, (3) Leadership Trait Dynamics, (4) Sustainability vs. Greenwashing, and (5) Executive Guidance. Data collection continued until theoretical saturation was reached (Braun & Clarke, 2013).

3.3 Data Analysis & Rigor

Transcripts were analyzed using Braun and Clarke's (2013) six-phase thematic analysis protocol. Initial data familiarization yielded 70 high-frequency terms, which were synthesized through open coding into 27 first-order concepts, 9 second-order sub-themes, and 3 overarching aggregate dimensions. Organizational rigor, credibility, and transferability were maintained via analytical triangulation, reflexivity logging, and strict ethical compliance (Ethics Approval EFIT Form AUTOYEHP00937).

4. FINDINGS AND QUALITATIVE ANALYSIS

Table 2: Qualitative Coding & Thematic Hierarchy

First-Order Representative Quotations	Second-Order Themes	Sub-Aggregate Themes
"You have to listen... exercise strategic patience." (P1) "Strategic thinking to turn inclusivity into long-term systems." (P4) "Back your words with evidence. DEI must be measurable." (P4) "Create an environment where people can be curious." (P3)	1.1 Vision & Strategic Thinking 1.2 Employee Mentorship & Empowerment 1.3 Intellectual Motivation	Theme 1: Transformational Leadership Practices & DEI Influence
"For me, it's all about empathy, respect, and being human." (P5) "Treat people at all levels with equal respect and transparency." (P5) "Empathy, understanding, lived experience... it's just dialogue." (P6) "Fair systems reduce workplace anxiety." (P9)	2.1 Equity, Fairness & Mutual Respect 2.2 Shared Leadership & Role Modeling 2.3 Psychological Safety & Lived Experience	Theme 2: Inclusive Leadership Practices & Cultural Climate
"DEI is an operating principle woven into every internal decision." (P4) "Publishing clear pay bands to ensure fairness and unbiased hiring." (P9) "Mandate DEI training, zero-tolerance policy, and Staff Forums." (P9) "Greenwashing claims support without financial commitment." (P9)	3.1 DEI Vision & Strategic Alignment 3.2 Long-Term Operational Commitment 3.3 Impact Measurement & Accountability	Theme 3: Dual-Paradigm Traits for Genuine & Sustained DEI

4.1 Theme 1: Transformational Leadership Practices

Transformational leadership practices among SME executives directly influence organizational readiness for change. Participants emphasized that driving structural change requires a clear articulate vision and strategic patience:

"You have to listen. You have to observe. But you then need to exercise strategic patience... Strategic thinking is required to turn inclusivity into long-term systems rather than short-lived statements." – **Participant P4 (CEO)**

However, the data highlighted that transformational vision in high-velocity sectors (e.g., technology or digital marketing) can occasionally lead to transactional performance pressure at the expense of interpersonal empathy. Participant P8 demonstrated a highly directive style: *"Harsh isn't the right word, but I'm pretty strict... I don't take nonsense."* P8 admitted that absent structured HR frameworks, intense

performance demands compromised the organization's empathetic climate. This confirms that transformational leadership alone, without inclusive counterweights, can destabilize psychological safety (Uzougbo et al., 2024).

4.2 Theme 2: Inclusive Leadership Practices and Climate

Inclusive behaviors were universally recognized as essential for building psychological safety and equity. Leaders who exhibited high empathy actively flattened organizational hierarchies and utilized dialogue:

"Inclusivity requires context setting, empathy, and lived experience... My personal belief is that inequalities persist not because we lack solutions, but because communication breaks down between groups." – **Participant P6 (CEO)**

Participants stressed that inclusive leadership is validated through objective structural fairness, such as transparent compensation and

unbiased recruitment:

"Fair systems reduce anxiety. Sustainable DEI requires practical actions, such as publishing clear pay bands and using structured, unbiased hiring frameworks." – Participant P9 (Ops Director)

4.3 Theme 3: Leadership Traits for Genuine vs. Performative DEI

A critical finding concerns the structural distinction between authentic, sustained DEI and performative "greenwashing." Participants defined greenwashing as public alignment with social justice terminology without internal capital expenditure or structural reform.

"Greenwashing happens when organizations signal inclusion or fairness publicly but don't change underlying systems. Real

commitment extends beyond policy into daily culture; it requires financial backing, mandatory training, and holding leadership accountable for measurable outcomes." – Participant P9 (Ops Director)

The findings demonstrate that genuine DEI execution relies on three specific traits: (1) **Strategic Alignment** (2) **Executive Commitment** (3) **Accountability Metrics**

5. DISCUSSION & SYNTHESIS

5.1 The Dual-Paradigm Imperative

The theoretical literature historically presents

Transformational and Inclusive leadership as independent, parallel paradigms in SME management (Gardner et al., 2022). Our empirical findings challenge this separation. Transformational leadership provides the strategic vision, structural change capability, and intellectual motivation necessary to build formal systems. However, without inclusive behaviors—such as empathy, cognizance of bias, and shared leadership—transformational efforts degenerate into top-down compliance or performative branding.

Conversely, inclusive leadership creates an equitable, psychologically safe culture, but without transformational vision and strategic execution, DEI initiatives remain localized, informal, and vulnerable during financial downturns (Kimbrel, 2021). Therefore, genuine and sustained DEI requires a **dual-paradigm integration**.

5.2 Revised Conceptual Framework

Synthesizing these empirical insights, we propose a Revised Conceptual Framework for Sustainable DEI in SMEs (Figure 1). This model shifts from isolated leadership paradigms to an integrated framework grounded in three core execution pillars.

FIGURE 1: INTEGRATED DUAL-PARADIGM FRAMEWORK FOR SUSTAINED DEI

TRANSFORMATIONAL PILLARS

- Strategic Vision & System Alignment
- Employee Mentorship & Pathways
- Intellectual Motivation & Innovation

INCLUSIVE PILLARS

- Equity, Fairness & Mutual Respect
- Shared Leadership & Role Modeling
- Psychological Safety & Empathy

MANDATORY CORE INTEGRATION TRIAD

- 1. DEI Vision & Strategy:** Woven into core strategic objectives.
- 2. Executive Commitment:** Leadership and commitment
- 3. Impact Measurement & Accountability:** Auditing and measuring DEI implementation.

Outcome: Dual Integration + Core Triad → **Sustained & Genuine DEI** | Single Paradigm / Missing Triad → **Performative DEI**

6. CONCLUSION AND STRATEGIC RECOMMENDATIONS

6.1 Summary of Contributions

This study advances leadership and SME management literature by proving that single-style leadership models are insufficient for operationalizing DEI in hyper-diverse urban markets like London. The primary theoretical contribution is the *Integrated Dual-Paradigm Framework*, which establishes that transformational change capability and inclusive cultural empathy must operate synergistically alongside strategic vision, executive commitment, and impact measurement.

6.2 Practical & Actionable Recommendations for SME Leaders

To implement genuine and sustained DEI, SME executives and owner-managers should execute the following strategic measures:

- 1. Embed DEI as a Core Operating Principle:** Transition DEI from an HR compliance checklist to a strategic business objective integrated into stakeholder engagements, operational strategies, and board-level decisions.
- 2. Implement Transparent Structural Safeguards:** Eliminate structural inequities by publishing transparent compensation bands, adopting anonymized recruitment processes, and establishing formal employee feedback mechanisms.
- 3. Institute Rigorous Impact Audit Metrics:** Allocate specific budget lines for DEI development and measure progress through quantitative metrics (e.g., pay-gap audits, retention rates across demographic groups) and qualitative feedback.
- 4. Cultivate Executive "Fluidity" and Lived Empathy:** Executive leaders must actively engage in continuous learning, open dialogue, and active listening to adapt organizational policies to the evolving needs of a diverse workforce.
- 5. Develop Distributed Leadership Pathways:** Train middle managers and operational leads in inclusive leadership practices to embed institutional memory and prevent DEI sustainability from relying solely

on a single executive champion.

6.3 Limitations and Future Research Directions

This study's primary limitation is its sample size ($n=9$) centered within the London metropolitan area, which may limit statistical generalizability to rural or internationally distinct SME environments. Future research should pursue multi-regional quantitative designs to test the predictive validity of the Integrated Framework across larger empirical samples, explore sector-specific variances (e.g., Tech vs. Manufacturing), and evaluate the long-term ROI of sustained DEI execution in small firms.

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