Diversity and inclusion: it's a numbers game, but not the one most people think

If you were to ask a randomly selected member of the baby boomer generation what success looks like when it comes to diversity and inclusion, there's a good chance you'd be told it was 'representation' (Smith, C.; Turner, S., 2015). In the representation paradigm the goal is simply about the head count – it is a numbers game. Each year a company should aim to increase the proportion of staff who aren't white, heterosexual, neurotypical males so that their business becomes more representative. It seems an admirable enough first step to take, but there's reason to think a focus on a different kind of number might be equally, if not more, important.

In academic circles and amongst younger generations there is an increasing focus on more meaningful and holistic metrics of success (Jordan, 2011). They have started thinking as much about respecting identities and their unique experiences as they do about representing them (Smith, C.; Turner, S., 2015). Put simply, for these groups, the emphasis has shifted from diversity alone, to the inclusion of diversity within the workplace. This is a good thing. It is a good thing because inclusion acts on the foundations provided by increased representation to make it work for both individuals and businesses. It's about creating "an environment of involvement, respect, and connection—where the richness of ideas, backgrounds, and perspectives are harnessed to create business value." (Jordan, 2011).

Money doesn't just talk, it's meaningful

Through this mechanism inclusion incentivises staff and businesses to pursue diversity in a meaningful way and make it stick. Inclusion is about reaping the rewards of diversity, for all parties. Because of this it can be a powerful force to embed and drive forward diversity initiatives because it can impact the metrics which are most meaningful to business leaders. It is a new numbers game and the yardstick is profit.

For some this sentence may feel like a corporatisation of a movement that should be based on morality. They might compel the corporate world to be more diverse because it is just and because it is equitable. While that is undoubtedly so, if you are increasing diversity, but not improving performance, this is good evidence that something is not working. It suggests that staff have been hired poorly or are unable to bring meaningful aspects of their diversity – in experience, skill, or perspective – to bear. In these environments' newcomers can often end up feeling pressured into replicating pre-existing normative behaviours and attitudes (Cox, 1997). Creating homogeneity out of diversity is not a laudable end-goal. This is why diversity without evidence of changes in a team's ways of working is never enough.

Given the robust evidence for in-group bias – i.e. favouritism to those more similar to us (Balliet, 2014) – a lack of agency for staff who do not fit the norm is to be expected unless active efforts are made to include them. It may explain why meta-analyses exploring the impact of diversity on team performance have found, at best, mixed results (Horwitz & Horwitz, 2007) (Stahl, 2010) (Bell, et al., 2011). On the other hand, a profitable and efficient team is a strong measure of success because it indicates the businesses have been able to leverage differences by encouraging participation from all staff.

Sending up a bat signal

This focus on active inclusion and measuring the gains it should provide can also serve another purpose. It can act as a key signalling and storytelling device that helps encourage further businesses to follow suit.

Firstly, if robust evidence emerges that diversity is profitable, previously disinterested businesses will take note. While some businesses may care about fairness, almost all care about profit. Is it surprising that a representative survey showed that just 53% of the CEOs in the USA believe diversity is important, when only 16% believe that it increases profit (Hays-Thomas & Bendick, 2013)? Some businesses genuinely care about diversity, breaking through to the rest will be much easier if they see from others that the numbers add up.

Here interesting parallels can be drawn to the climate change debate. For years activists tried to tell businesses that pensions divestment from fossil fuels was the right thing to do. That investment was needed in green technology to make the required efficiency gains. Movement was slow until it became clear that pension investments in fossil fuel providers could easily become 'stranded assets' (Carney, 2019) and divestment began to seem like the most profitable option (Ryan & Marsicano, 2020). From this point on, there has started to be a much more proactive shift, even amongst the largest pension providers. The good news is this shift has started to happen in the diversity and inclusion space too. For instance, albeit a relatively simple study, found that Fortune 500 companies with more women in senior management (top 25% by proportion) generated 34% higher returns to shareholders that firms in the bottom 25% (Catalyst, 2004). This is a powerful and impactful result which can make decision makers listen.

Positive spillovers

Outside of business leadership profitability also speaks a language that is easily understood in the public at large, right across the political spectrum. As diversity debates become front and centre of a 'culture war', large swathes of the corporate population may be turned-off if diversity is embroiled in debating whether freedom of choice can trump equity. These are not un-important debates, but they are divisive. Profitability is not. It is hard to imagine a James Damore-esque Google memo existing or causing such controversy if Google had clearly shown that diversity was good for the businesses bottom line. A simple diversity narrative can be twisted to sound like tokenism, and preferential treatment and end-up being viewed as a zero-sum game. Stating that business aims are to build inclusive teams that are efficient and successful has the potential to be attractive to the middle managers who are the boots on the ground of modern-day businesses.

A clear need for further research

The issue is that there is a general acceptance that robust and rigorous research in this area is still somewhat limited (Hays-Thomas & Bendick, 2013). This is in part because it is inherently difficult to isolate effects in a live business environment and even then, they may not be more widely generalisable. There are also suggestions that this is because research on inclusion is seen as highly sensitive or even 'touchy' (Chugh & Brief, 2008).

To get the more robust evidence needed requires change. It requires academics and businesses to form closer links and break down barriers which prevent collaboration. It requires businesses who want to proactively build diverse and inclusive workplaces to invite researchers to study how their middle managers can effectively build a speak-up culture and to explore if this translates into stronger team performance. Context matters. It is vital that studies move into real corporate environments for robust insights and evidence to be uncovered. This requires researchers to take-off their elbow patches and learn to move lightly through the corporate space.

There is also growing evidence that company culture can be understood and categorised using data science techniques to extract relevant publicly available data (Reader, et al., 2020). The use of these so called 'unobtrusive indicators' – such as Glassdoor reviews, twitter feeds, and company publications, can be a window through which to categorise companies' level of inclusivity and explore if this has a meaningful impact on outcomes.

To conclude

Despite all the strides made in recent years to increase diversity we still face a chicken and egg problem. Of US firms with one hundred plus employees, over half now have a diversity and inclusion program. For larger firms this reaches three quarters. Combined these firms spend over $10 billion USD annually on these initiatives (Hays-Thomas & Bendick, 2013). Yet there is still scepticism that this diversity benefits businesses (Hays-Thomas & Bendick, 2013). Given this, it is unsurprising that many firms are merely paying lip service to diversity (Roberson, 2006). Managerial ambivalence is not necessarily irrational if there are not a clear yet adaptable set of evidenced actions, they can take to improve business outcomes. To take the next big step forward, it is time for researchers to roll-up their sleeves and uncover how we can make diversity work for businesses in the wild.

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Notes:

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