

Why Diverse Businesses Are Winning

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It's time to work on YOU. So sit back and listen to practical, actionable advice to accelerate your progress.

In this lesson, we will be examining why more diverse businesses outperform less diverse competitors. We'll advise you on how to instil and develop inclusion and diversity in your organisation and the benefits that will deliver for you [1].

Cultural diversity is something we all have some experience of outside the workplace. The average commercial street has an array of businesses offering delights from every corner of the globe, whether it's the finest Italian clothing store or the tastiest Brazilian street food.

We're presented with a diversity of options on every street, in every shopping centre, and on every web page because we're wired to seek new and fresh experiences. They're what makes life wonderful.

Similarly, the survival of planet Earth comes down to biodiversity. Healthy ecosystems necessitate a wide range of animals, plants, and microorganisms to provide us with the air we breathe and the food we eat.

The make-up of the average investment portfolio relies on diversity, too, to minimise risk.

The point is that diversity fuels every area of life, which doesn't change once we arrive in the office.

Many of the big hitters have been researching the enormous positive impact that diversity and inclusion have on all types of organisations [2]. Here are some numbers for you from Boston Consulting Group, Credit Suisse, and McKinsey's reports to illustrate the kind of wins we're talking about.

One

Organisations in the top quartile for ethnic and racial diversity in management increased their chance of outperforming their industry mean by 35%. [3]

Two

When an organisation has at least one woman on its board, it yields higher equity returns and higher net income growth than when the board is made up of all men. [2]

Three

Diverse companies have a 70% higher chance of capturing new markets when they actively recruit and empower talent from under-represented groups. [4]

Four

Finally, McKinsey's research showed that the more diverse the company, the higher the chance of over-performance. [2]

But what does this diversity look like?

The Boston Consulting Group study found that instead of focusing on a specific area of diversity, focusing on creating teams that have multiple areas of diversity has more value [1]. For example, "we want to increase the number of women employees by 15% over the next two years" is commendable but may not be as impactful as adopting a

specific intention to be more broadly diverse (e.g. in areas such as gender, ethnicity, age, disability, etc.).

When a team comprises only people who have lived similar lives, growing up in similar circumstances, and with similar experiences, there is a high potential for "groupthink." Essentially, the group's shared perspective could make them complacent and keep them from challenging each other and seeking new ideas – the death of innovation.

When building diverse groups, consider the more traditional elements of diversity—those that jump to mind when you think back to any D&I training you've received—gender, ethnicity, racial, and sexual orientation. However, there is more to successful diversity and inclusion than these core areas.

Age, work experience, nation of origin, and educational background are all areas where human experience diversifies. Mining these will provide greater innovation and widen the range of thought processes within the team.

Cognitive diversity is another exciting area that has been ignored in the past. However, it is starting to be recognised as a way of adding new perspectives to your group. We all have different ways of thinking and approaching problems. Neuroscience allows us to understand this better and pinpoint a team make-up of different thinking styles necessary to thrive in complex, changing environments.

Research has also shown that the higher you go in an organisation, the more critical diversity becomes. For example, the earlier studies found that almost fifty per cent of revenue at the most diverse companies came from products and services launched in the previous three years. Those products had only developed since diversity at the management level had taken hold.

Those are some raw numbers on the kind of success diversity can bring to your organisation. Now, let's dive a little deeper into why this is.

Firstly, diverse organisations tend to be more resilient. You may have noticed that things out there are less predictable than ever. There is a battle to survive as pandemics, wars, and political uncertainty spiral around us. That may cause companies to lose focus on their diversity and inclusion targets, but the most brilliant business thinkers out there argue this is the worst thing an organisation can do.

Innovation produced from diversity gives any company that harnesses the potential a much greater chance of coping with an unpredictable business environment. In fact, they may even thrive in times of extreme change as they react quicker and think more innovatively than their competitors.

Public companies are currently believed to have a one in three chance of going out of business in the next five years – whether through basic failure, a takeover, or any number of other reasons. That's six times higher than four decades ago.

So, the ability to ride out the unexpected is more important than ever. You're far likelier to achieve this when you have a wide range of perspectives and ideas to call on.

Avoid the 'success trap' – just because something worked yesterday doesn't mean it will work tomorrow.

For example, McKinsey found that women more regularly engage in intellectual stimulation, inspiration, and participative decision-making – three of the four behaviour types essential to successfully navigating future challenges.

So, the natural reaction may be to sideline D&I programs and let the topic slip from the top of the organisational targets as things get stormy. However, that is the time to double down on diversity and inclusion as an enabler of business performance and a way to protect organisational health and safeguard social cohesion.

Our next diversity benefit is that diverse teams focus more on facts.

As we already mentioned, a team from varying backgrounds will avoid letting "groupthink" take hold. This, in turn, will lead to better group thought processes.

The Journal of Personality and Social Psychology published a study that split two hundred individuals into mock jury panels consisting of six "jurors." These panels consisted of either all white jurors or a mix of four white and two black members.

They were then shown a recording of a trial with white victims and a black defendant and were asked to give their verdict.

The diverse panel focused far more on facts related to the events. It made fewer factual errors when debating the evidence they were given.

Also, if a mistake was made, it was more likely to be corrected during the discussion. This wasn't just a case of the black jurors contributing more, either. The white jurors also performed better when recalling facts in the mixed panels.

The mix of perspectives drives individuals to perform better and re-examine their opinions and thought processes more closely, pushing them to view information from different perspectives.

By putting an end to workplace homogeneity, you force employees to consider their biases and lazy ways of processing information and generally improve their decision-making.

Evidence from previous global crises also shows that recovery can be significantly aided by diversity. For example, during the 2008–09 global financial crisis, the banking institutions containing boards with a higher percentage of women were more stable than their male-led competitors.

This concept also seems to have been true [5] for countries facing the COVID-19 pandemic – with cities and countries led by women performing significantly better.

Finally, diversity also boosts your organisation's intellectual potential, leading to more innovation.

The more perspectives you can get into positions of importance within the organisation, the more you will be in touch with your customer base. If you have always had a very 'samey' customer base, you may well be able to widen your net. Filling your pool of employees with different genders, nationalities, ethnicities, ways of thinking, and neuro-divergent individuals can support innovative thinking and spot untapped areas of your marketplace.

It will also enable you to be more culturally sensitive, avoiding any unfortunate mistakes in project development, ad campaigns, or anything else you put out in the public space.

As times change, it seems less and less possible to argue against the enormous benefits of true diversity and inclusion at all levels of an organization.

Consider your place of work. Is your team diverse? Your bosses? Your board? And if so, are diverse voices being encouraged to share their opinions?

If not, it could be now or never to make these changes.

Thanks for listening.

[1] *A Study Finds That Diverse Companies Produce 19% More Revenue*, Anna Powers (2018)

<https://www.forbes.com/sites/annapowers/2018/06/27/a-study-finds-that-diverse-companies-produce-19-more-revenue/?sh=623df285506f>

[2] *Why Diverse Teams Are Smarter*, David Rock and Heidi Grant (2016)

<https://hbr.org/2016/11/why-diverse-teams-are-smarter>

[3] *Why Diversity Matters*, Dame Vivian Hunt, Dennis Layton and Sara Prince (2015)
<https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/why-diversity-matters>

[4] *Opinion: The Numbers Don't Lie: Diverse Workforces Make Businesses More Money*, Jack Myers (2020)
<https://www.marketwatch.com/story/the-numbers-dont-lie-diverse-workforces-make-companies-more-money-2020-07-30#:~:text=Diversity%20%3D%20profitability&text=According%20to%20the%20McKinsey%20study,were%20predominantly%20white%20and%20male.>

[5] *Have Countries Led by Women Coped Better With COVID-19?* Gillian Tett (2020)
<https://www.ft.com/content/6b597385-ba51-413a-96bd-cb75d3446718>