

The Business Case for Diversity

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What we know so far...

- Experimental studies:
 - Diverse teams tend to make smarter decisions more effectively.
 - Diverse teams tend to be more objective and examine facts more carefully.
- Surveys:
 - Reveal that more diverse firms tend to be more innovative.

What we asked...

- Is there a link between diversity and innovation in US publicly traded firms?
- Specifically:
 - Do firms that have more pro-diversity policies generate more innovations?

How do you measure “pro-diversity”?

- Strengths
 - CEO Is Women/Minority
 - Promotion of Women/Minorities
 - Board of Directors Has Minorities
 - Work-Life Benefits
 - Women & Minority Contracting
 - Employment of the Disabled
 - Gay & Lesbian Policies
 - Employment of Underrepresented Groups
- Concerns
 - Controversies
 - Nonrepresentation Concern
 - Board of Directors—Gender
 - Board of Directors—Minorities

How do you measure innovation?

- Number of patents (quantity of innovation)
- Number of citations on patents (quality of innovation)
- Number of new products

What did we do?

- We looked at about 3,000 firms over about 15 years.
- We collected data about firm's pro-diversity policies.

What did we find?

- We find (using statistical models) that more pro-diversity firms create more innovations.
- Results hold even after taking account of:
 - R&D expenditures
 - Industry
 - California
 - And many other factors.
- Causality not correlation: More innovation does not lead to more pro-diversity policies.

Does it matter?

- Yes – for the average firm - significantly improving pro-diversity policies results in 2 additional new products in a 10 year window.
- And - firms that are innovative **and** promote diversity are more valuable than those that don't promote diversity.

- Simply put:

Diversity is just good for business.

Why does diversity improve innovation?

- Diverse teams get better results, more interesting and creative solutions, more quickly.
- Openly pro-diversity firms attract a wider pool of employees, providing a competitive advantage.
- Working for pro-diversity firms is attractive to employees who are not necessarily in minority groups.

Diversity

All the ways in which people differ, encompassing the different characteristics that make one individual or group different from another.

Our definition also includes diversity of thought: ideas, perspectives, and values. We also recognize that individuals affiliate with multiple identities.

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Equity

The fair treatment, access, opportunity, and advancement for all people, while at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups.

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Inclusion

The act of creating environments in which any individual or group can be and feel welcomed, respected, supported, and valued to fully participate.

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Additional Resources:

- <https://www.fastcompany.com/40515712/want-a-more-innovative-company-simple-hire-a-more-diverse-workforce>
- <https://www.psychologytoday.com/us/blog/the-athletes-way/201801/aha-pro-diversity-cultures-spark-corporate-innovation>
- <http://www.wunc.org/post/study-diverse-companies-are-more-innovative#stream/>
- https://www.cio.com/article/3273490/hiring-and-staffing/seeing-and-owning-the-power-of-diversity.html#tk.rss_careersstaffing
- <https://onlinelibrary.wiley.com/doi/full/10.1111/fima.12205> (our published article)