Preparing Organizations
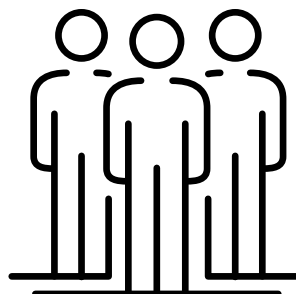## for the
New Age of
Diversity

Defining What Needs to Be Done and Who Needs
to Lead in the Modern Diverse Workplace

Executive Summary

Workplace diversity means the inclusion of different people in the workplace, and all that entails. Ongoing research shows there are objective and measurable benefits to having a diverse workforce.

However, the benefits of diversity become apparent only when organizations move beyond a "checkbox" mentality and work hard to put pro-diversity practices into place.

Creating more diverse workplaces in this way will come with its own challenges, including battling discrimination, increasing respect, and managing new friction.

Outside of ensuring compliance, diversity initiatives should seek to get buy-in from the top, train a new generation of leaders about to manage diversity, and improve all employees' overall diversity IQ.

Of all the challenges a modern HR department runs into, diversity tops the list as one of the most discussed and most well-researched…as well as one of the most misunderstood and anxiety-provoking.

There's no need, then, to write yet another whitepaper or research brief on the benefits of diversity. It's been done (though we do review some of that more recent research here). What we feel is needed is a plan for managing the diversity in your organization.

Helping you formulate that plan is the true goal of this whitepaper. It is somewhat modular on purpose: Different sections will be useful to different people, depending on how much commitment to diversity is already part of your organization's "DNA." But there will be something here for everyone. Even professionals whose companies have a diversity program in place might find something new and enlightening…if you truly are open to diverse ways of thinking. For example:

Is everyone on the same page when it comes to knowing what diversity is?
How do you get buy-in for diversity initiatives?
Why do you need diversity initiatives that go beyond mere compliance?
How do you prepare leaders to lead diverse teams?
How can you improve employees' "diversity IQ"?

What is Workplace Diversity?

At one time, "workplace diversity" was considered quite narrowly: Workplaces would strive for diversity by hiring more women and people of color. Today, diversity covers a much broader range of differences:

Generations
(Boomer, Gen X, Millennials, Gen Z)

Backgrounds and Cultures of Origin

Sexual Orientations
(LGBTQ+)

Personality Types
(DISC Types or Introvert/Extrovert/Ambivert)

Socio-Economic Backgrounds

Political Leanings

Styles of Learning
(Visual Learners or Auditory Learners)

The idea is to hire people **because of their differences** - their different experiences, backgrounds, skills, opinions, and more - add value to the work that the organization does.

At the most general level, diversity is the inclusion of people who differ from one another.

Workplace diversity, then, means the inclusion of different people in the workplace, and all that entails (diversity on teams, diversity of leadership, diversity of voices making decisions, etc.).

Not every workplace will have diversity in every respect, all the time. For that reason, it is helpful to see workplace diversity as an ultimate goal to constantly strive for, rather than a static state of affairs.
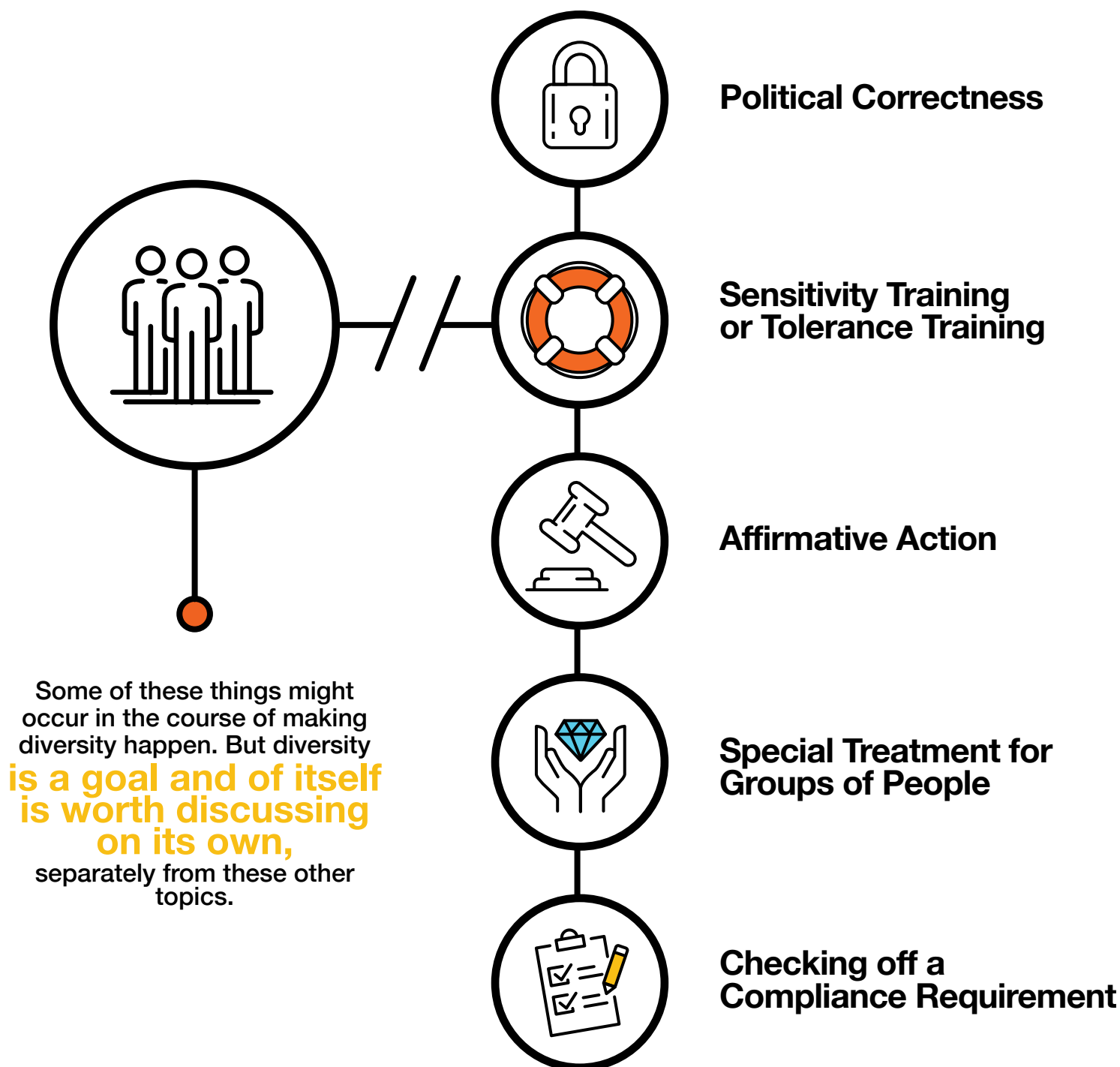
Notice, too, that our definition of diversity uses the word inclusion. It is not enough to, say, hire different people. **The idea is to hire people because their differences—their different experiences, backgrounds, skills, opinions, and more—add value to the work that the organization does.** Diversity encourages variety of thought, which in turn both generates new ideas and does a better job of vetting those ideas. Ultimately, this helps promote more rigorous decision-making, more innovative solutions to problems, and more supportive teams. None of this can happen, however, without policies in place to ensure participation and fair treatment of a diverse workforce.

The organizational challenge that workplace diversity presents should be a little clearer now. Diversity is not just a matter of interviewing women and people of color during hiring, or checking a box for diversity training once a year. The true organizational challenge is in promoting, encouraging, and leading a diverse workforce, and doing so in an ongoing, sustainable manner.

This whitepaper is intended to be a crash course in the basics of diversity: What it is (and isn't), why it is needed, and how to begin meeting this key challenge. Though it certainly is not the last word on the topic, we hope it will help your organization begin to think of diversity in a new way and take those first few critical steps toward it.

A Note on What
Diversity is NOT

Unfortunately, the term "diversity" has become a loaded term in today's environment. Many people read things into the term that do not necessarily apply. So, when we talk about diversity, we are not talking about:

Political Correctness

Sensitivity Training or Tolerance Training

Affirmative Action

Some of these things might occur in the course of making diversity happen. But diversity **is a goal and of itself is worth discussing on its own,** separately from these other topics.

Special Treatment for Groups of People

**Checking off a Compliance Requirement**

Do Organizations Benefit from Diversity?

There is a substantial amount of research, now spanning a few decades, showing that diversity really does benefit organizations. There isn't enough space to review all of that research here, but we can share some of the more recent highlights:
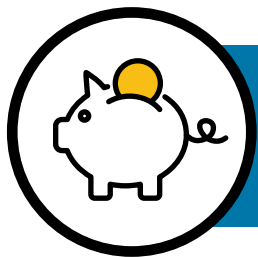
## Diverse Organizations are More Profitable

McKinsey released a benchmark study of more than 1,000 companies which found that companies with the highest levels of diversity are also the most profitable:
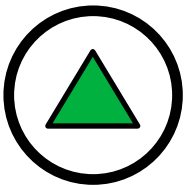
Companies in the top quartile for racial and ethnic diversity were 35 percent more likely to have financial returns above their respective national industry medians.
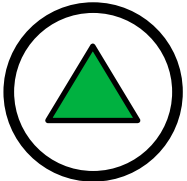
In the United States, there is a linear relationship between racial and ethnic diversity and better financial performance: For every 10 percent increase in racial and ethnic diversity on the senior executive team, earnings before interest and taxes (EBIT) rise 0.8 percent.
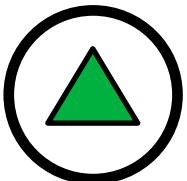
Companies in the top quartile for gender diversity were 15 percent more likely to have financial returns above their respective national industry medians.
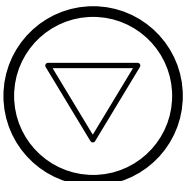
Companies in the bottom quartile for gender, ethnicity, and race are statistically less likely to achieve above-average financial returns than average. (In other words, they don't just fail to lead but are lagging.)

Diversity of Management Fuels Innovation

A comprehensive study by Boston Consulting Group (BCG) looked at 1,700 companies of various sizes in different industries. These companies were based in eight countries, including the U.S. The main finding of this study was a strong and statistically significant correlation between diversity of management, on the one hand, and overall innovation within the company on the other.

Correlation between diversity of management and overall innovation.

Companies that reported above-average diversity on their management teams also reported innovation revenue that was 19 percentage points higher than that of companies with below-average leadership diversity—45 percent of total revenue versus just 26 percent. In other words, organizations with above-average diversity saw more than half of their revenue being generated from new products and services (launched within the past three years), whereas in organizations with below-average diversity, one-quarter of revenue was generated this way.
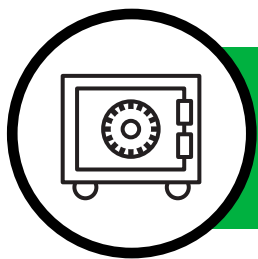
Diverse Workforces Retain Talent

For years, business schools have taught that diverse organizations will be better at attracting and retaining talent; more recent studies have begun to flesh out how, exactly, this happens:
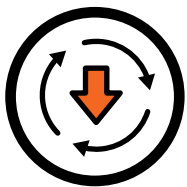
One study: The Human Resource Management Journal found that, contrary to popular opinion, higher gender diversity leads to lower turnover in organizations with gender-focused policies and practices in place.

A large replication study: SpringerPlus found that, when employees feel there is a positive diverse work environment, there is also higher job satisfaction, more work group identification, and more knowledge sharing in teams.

A recent article: The Journal of Applied Social Psychology found that diversity practices are associated with a trusting climate that, in turn, is positively related to employee engagement. Furthermore, the relationship between diversity practices and trust climate was moderated by inclusion.

Diverse Teams Better Serve the Market

A study from Harvard Business Review found that companies with "2-D" diversity (i.e., diversity of both inherent traits, like race, and acquired traits, like skills) were 45 percent more likely to report that their market share grew over the previous year, and 70 percent more likely to report that they captured a new market.

Part of this is because diverse teams are better able to communicate with and serve diverse markets. To serve those markets, companies need to understand their needs and wants, their pain points and frustrations. They also need to be able to communicate their value proposition, and do so in a way that is in tune with the culture of their target markets.

Without a diverse set of employees comfortable doing this, your teams will have to work much harder to understand the needs of your audience and communicate your value. And the risk of a misfire—coming off as inauthentic, or silly, or out-of-touch—is that much higher.

Of course, we can (and should) try to understand people from other backgrounds and cultures. That is much harder to do if we are surrounded by people all from the same background, and with the same worldview.
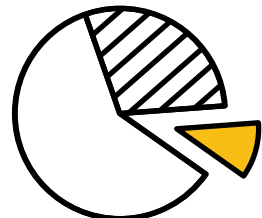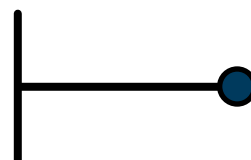
45%

more likely to report that their market share grew over the previous year
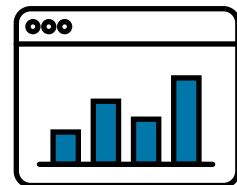
70%

more likely to report that they captured a new market.

Diverse teams are better able to communicate with and serve diverse markets.

Why Diversity Needs to Be More than a "Checkbox" Approach

Unfortunately, diversity is often seen as merely training for compliance purposes—and that training itself is seen as little more than "checking a box" for HR departments. (For more on compliance training generally and an alternative to the "checking a box" approach, see our whitepaper "Why Compliance Training is More than a Checkbox: Five Ways Companies Can Do Better for Their Employees and Their Mission.")

The truth is that proper diversity initiatives are key for creating an environment that is safe, inclusive, and productive. There is hard work to be done to ensure the kind of diversity that brings the above-mentioned benefits. Here are some of the challenges to expect:
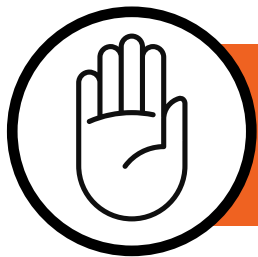
Discrimination is Real

Working toward a more diverse workforce might bring out some of the ugliness that is lying dormant in your organization. According to one report, **workplace discrimination against employees based on race, gender, and sexual orientation costs U.S. businesses an estimated $64 billion annually.** And that's just the discrimination that is brought to light; likely, there are many more instances that are not reported.

This means that, to make diversity work, you will have to combat discrimination, possibly on many levels.

$64 billion
annually

Inclusion and Respect are Musts

Even if there is no traceable discrimination "on paper," your organization might still struggle to include diverse people and viewpoints, especially when it comes to important conversations and decision-making.

Tracking inclusion is much more difficult than just checkbox-style diversity; after all, diversity can be measured simply by asking a few factual questions and doing a tally. By contrast, how inclusive and respectful your organization feels is more a matter of culture, which is notoriously hard to track.

This means that you will have to go out of your way to talk to employees and gauge diversity and inclusion for yourself…and then take steps to improve the company culture if it is found lacking.
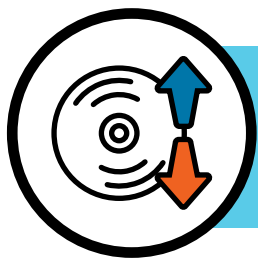
There Will Be Friction

If there is diversity without the proper appreciation for, or tools to handle, that diversity, friction can easily arise. For example:

> **People with different communication styles will, naturally, communicate priorities differently, which can cause a mismatch in setting goals and managing workflows.**

> **People from different ethnic or socio-economic backgrounds might have different expectations when it comes to workplace policies and expectations.**

> **Employees might come to the table with preconceived notions about various ethnicities, genders, or sexual orientations. While you want everyone to be heard and respected, you also might need to change their minds so that they can work better with their coworkers.**

Such friction is not only a problem for HR; it can actively work to prevent your organization from realizing the benefits cited above. For example, an article from the Academy of Management discusses how friction—which they call "ambient cultural disharmony"—can actually motivate people to "shut down the search for connections and patterns," especially when those connections involve ideas from different cultures or backgrounds. This makes sense: If members of a team do not value people or ideas that are different in a certain way, they will not bother making connections with those people or ideas, and creativity will be stunted.

Discrimination, the need for inclusion, and the possibility of friction require organizations to think of the "bigger picture" when it comes to diversity. Specifically, it will require them to get buy-in for diversity initiatives, learn how to lead diverse teams, and increase employees' "diversity IQ."

Getting Buy-In
for Diversity Initiatives

The first step toward getting buy-in for diversity initiatives may well be to convince leadership that yours is a worthwhile cause...and that it is worth allocating budget to it. Some leaders might be skeptical about "how much" diversity is needed; some might be unsure of how much an explicit program can do, and still others might be fine with a program but unwilling to spend much money (or time) making your ideas work.

The first step toward getting buy-in for diversity initiatives may well be to convince leadership.
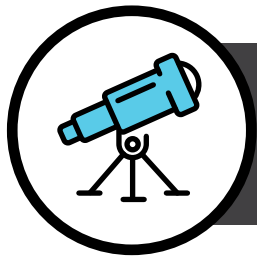
Get Perspectives from Your Employees

If you're reading this far, you're probably doing a lot of research into diversity and inclusion already. Don't forget that your existing employees are a wealth of information too!

Perhaps some of them have struggled with inclusion in the past: Maybe they were uncomfortable as a minority, or uncomfortable with a minority. Perhaps there has been friction in your organization that has not been brought to the attention of leadership. Perhaps you already have allies in your organization sympathetic to the idea of a more diverse workplace, but who weren't sure how to proceed outside of the occasional social media post.

Exit interviews are a critical time for having these conversations (though they should not be the only time). If you're losing talent, it could well be that diversity issues are part or all of the problem… and if that's the case, this information could be what ignites change in your organization.

Your employees can be a source of information about the gaps in your diversity initiatives and corporate culture, as well as your starting point for conversations around diversity. Start those conversations.

Your employees can be a source of information about the gaps in your diversity initiatives.

Build the Business Case

While corporate leadership does often care about company culture, their daily work has them worrying about company mission, strategic goals, profit margins, and the like. Use what research you can (including the studies mentioned in this whitepaper!) to build a solid business case for diversity.

Such business cases are usually done with a 1-2 punch: Pointing out the benefits that diversity can bring to an organization, and the liabilities that come to an organization that discriminates. Those liabilities usually revolve around things like compliance, fairness in hiring, handling reports of harassment and discrimination, and so on. Remember, though, that focusing on liabilities tend to feed into that "checkbox" mentality for diversity. If you want to build a truly diverse culture, use both, but focus much more powerfully on those positive business aspects.

Don't Just Show Data, Use Stories and Quotes

Countless studies now show that simply being presented with data and argument rarely sways someone's mind. We are much more moved by stories of individuals, particularly emotional or moving ones.

This is where your conversation with employees will be handy. While still protecting their privacy and confidentiality, share some stories of their struggles. Use those to illustrate key ideas and highlight places where your organization can improve.
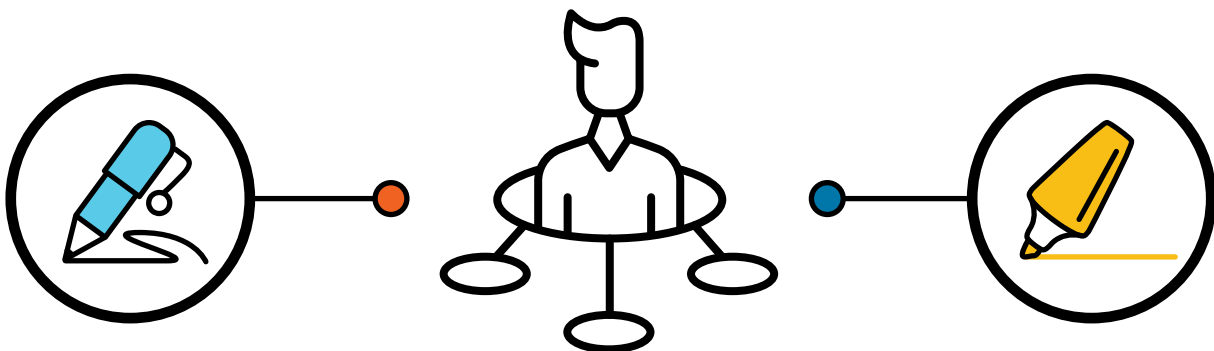
Illustrate key ideas
and
highlight places
where your organization can improve.
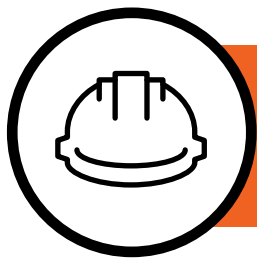
Start Building a Shared Language

Even today, conversations about diversity can make people nervous. Not only are they being asked to understand and include people they might not know well (or even have some bias against), but they might be put off by perceived "political correctness," or preconceived ideas about what diversity entails.

Go slow, define key terms, and start building a new way of talking about these issues. Finding a shared language helps cut through those preconceived notions and equips both managers and employees to engage each other thoughtfully and respectfully.

Be Ready to Answer not Just "Why," But Also "How"

At a roundtable put on by HS2 Ltd and reported in HRZone, corporate leaders admitted that, when issues of diversity are brought to their attention, they are usually sympathetic. Their stumbling block is not with believing that diversity is important, but in knowing what to do about it.

This is where an HR professional can shine. Bring your expertise to bear and show not just why diversity is important, but how you are going to make a positive change. Are you going to review your benefits package to see if it can attract and maintain a more diverse workforce? Offer employee training around diversity and unconscious bias? (Note that HSI can help with that!) Start a series of informal conversations around diversity? Encourage diverse teams? Be ready to make suggestions and discuss some concrete details for reaching your diversity goals.
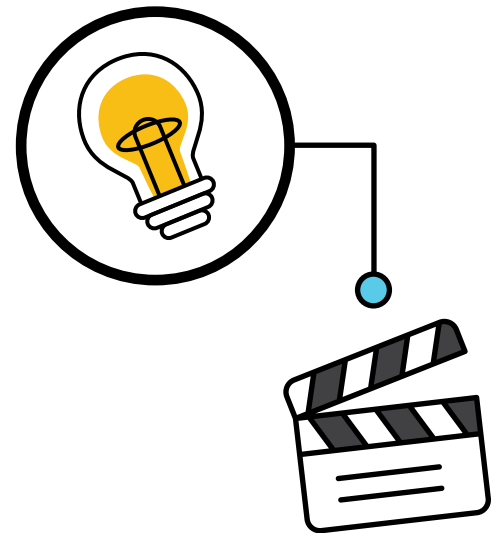
Bring your expertise to bear
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Their stumbling block is not with believing that diversity is important, but in knowing what to do about it.

Leading
Diverse Teams

Even if your organization is good about hiring a diverse workforce, your managers and leaders will need to know what unique challenges can come with leading diverse teams—and prepare themselves for those challenges.

As part of the "how" explanation to leadership, put together a plan for training managers and leaders to better deal with increased diversity. This plan should include training to help them.

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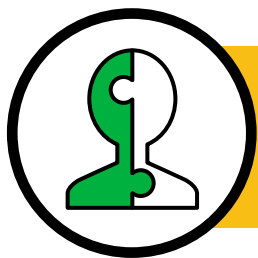
Develop Emotional Intelligence (EQ)

Emotional intelligence allows managers to better understand the people they work with. Beyond that, managers also need to have the capacity to use that knowledge, as well as the motivation to do so and the environment to do it in.

Importantly, emotional intelligence is not simply a trait or capacity that someone has, but a set of skills that includes self-awareness, self-control, empathy, communication skills, and conflict management. Because they are skills, they can be taught and practiced. All managers and leaders should go through training to help improve their emotional intelligence and then practice using it with their teams.
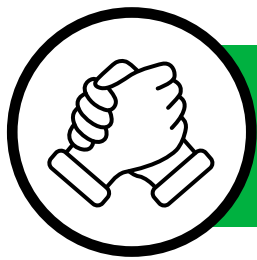
Self-Awareness

Self-Control

Empathy

**Communication Skills**

Conflict Management

Work Towards Workplace Empathy

Of all the skills listed above, empathy is perhaps the one that is most difficult to measure and manage. Workplace empathy is simply the ability to see your coworkers as human beings, with their own struggles, goals, and dreams. Empathy is seeking to understand the context behind someone's behavior, and to treat them respectfully given that context.

Good leaders already care about the welfare of the people they lead, but the frustration comes from not being able to directly affect what is happening in employees' personal lives. They can, however, be trained to be more socially aware, and encourage their employees to do so as well. Shorter courses on typical personal struggles can help bring them this awareness; some examples might be courses on generations in the workplace, bereavement, maternity, and so on.

Fighting for empathic HR policies helps, too. These can include generous policies for FMLA, maternity, and paternity leave; a clear and understanding bereavement policy; personal days and "mental health" days beyond minimal vacation days; and stronger anti-harassment and discrimination policies.
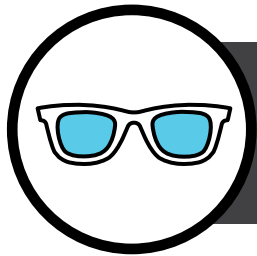
Be Aware of Biases

Biases exist in all of us—even the most well-meaning people. This happens because most of our bias is unconscious. In order to correct it, we need to be aware of its existence, bring it to the surface, and make a promise to ourselves to do better. As the famous saying goes, "A bias recognized is a bias sterilized."

Leaders in your organization should, naturally, take the lead here, taking time to learn about the various types of bias that exist. They should then make it a habit to routinely reflect back on the last time they gave feedback, conducted a performance review, conducted an interview, or had a serious conversation with an employee. As they reflect, they should try to evaluate whether or not they might have been influenced by, or displayed behavior consistent with, one of those biases.

Accountability is key here: Leaders should also make it known to others, even their direct reports, that they want to do better confronting their own biases...and then give those others permission to hold them accountable.

Leaders who are aware of their own biases will not only be better team leaders, but they will set a good example for other employees who might be struggling with diversity as well. They will also be in a better position to ask their employees to take training on the subject of bias, too. Encourage them to make bias training required (or at least strongly recommended) for all employees so that they, too, can learn to spot their own biases and strive to do better. Employees are often surprised that, even if they harbor no ill will towards another group, they have still been conditioned to harbor some biases that are there, working in the background.
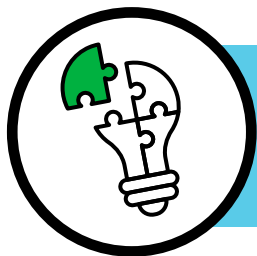
Seek to Understand Your Employees

Every single person on a team has different skills and weaknesses, likes and dislikes. They are motivated by different things, and bring a different energy to the room. These differences will become more apparent when your teams are diverse.

When a leader gets to know their team(s) and understands these differences, they can lead that team better. Are some team members motivated more than others by the prospect of getting to spend more time with their family? Good to know. How much personal space do individuals feel comfortable with in team meetings? One-on-one meetings? Who will be candid with you, and who will be more diplomatic? Whose ideas are being heard and considered? Again, all good things a leader should try to uncover by getting to know his or her team.
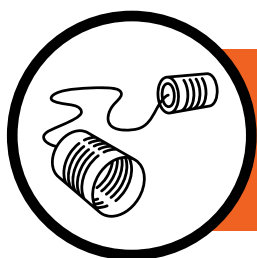
Effective Verbal and Noverbal Communication Skills

One of the biggest issues arising with a diverse group will be communication—both the leader's communication with team members, and their communication with each other.

You might be lulled into a sense that everything is OK when it comes to communication simply because we tend to communicate well with those who are most like us. Leaders need to be vigilant that they are also communicating well with all team members, and that the lines of communication are open within the team as well.

A good training program can help get everyone on the same page with communications. For example, leaders, managers, and employees should work on communications topics such as:

Active Listening

Barriers to Communication

Setting and Communicating Priorities

Nonverbal Communication and Social Cues

Put-downs and Other "Grey Areas" of Language

Conflict Management

Start Conversations

Sometimes, challenges that come with a diverse workforce can be best handled by starting a conversation, even if the process is a little awkward at first. Leaders and managers will often need to take the initiative with these conversations.

Once they are started, employees usually open up. They could be willing to share the thought or reasoning behind some of their cultural traditions. Or they might feel comfortable telling others what bothers them. With even more trust, they will be comfortable bringing their problems forward into the forum.

Here's one example: At one company, a couple of employees would always walk in late to meetings, often laughing and talking as they came in. The manager would always want to start on the hour, but held up the meeting for 5 or 10 minutes, waiting for these key employees to show up. (Or worse, the manager would start the presentation, only to have their entrance interrupt things.)

Instead of reprimanding the employees, the manager decided to have a team meeting about punctuality. It turned out that some employees, including the two in question, came from other companies with more informal company cultures; at those

places, it was typical for the first 5-10 minutes of a meeting to be a "social" time where people would discuss sports, the weather, etc. These employees were accustomed to being able to walk into a meeting ten minutes late without missing anything.

This clashed with the current prevailing company culture, where meetings started at their appointed times, on the dot. In fact, the manager discovered that employees who had been with the company longest were put off by the tardiness.

The compromise? Meeting rooms would open up 10 minutes before the official meeting start time, and employees were encouraged to come a little early so they could grab a seat, get settled, and chat. They also instituted a 5-minute "grace period" for arriving late.

Getting these different cultural ideas about time started a candid conversation where everyone could express their frustrations with the situation in a safe environment, and then agree on a practice that worked best for everyone. Even better, it did not make these two employees feel incompetent or irresponsible, but rather got to the root of the misunderstanding.
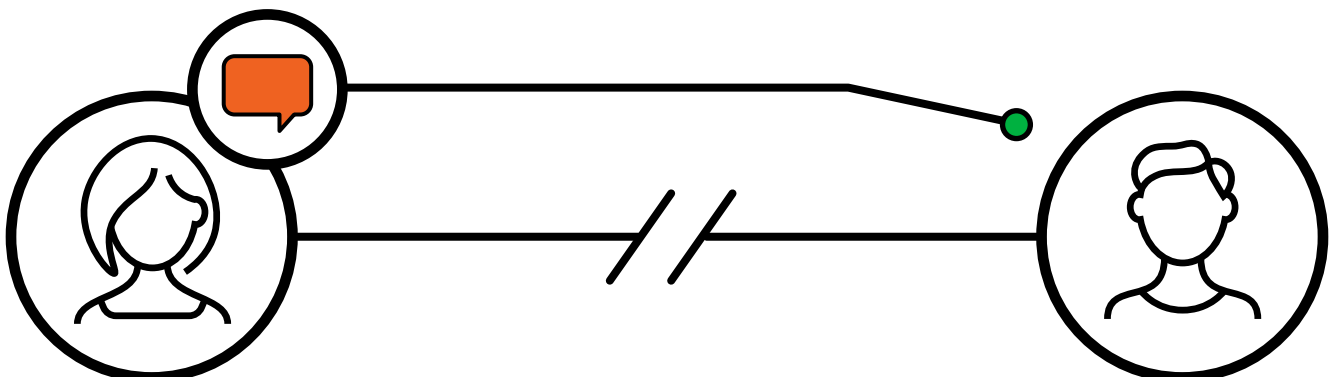
Challenges that come with a diverse workforce can be best handled by starting a conversation.

Be a Mentor and Advocate

Mentoring is a great way to develop your employees, and is also a great complement to training and development programs. Too often, minorities and people from very different backgrounds do not get mentored at the same rate as others. Senior leaders often worry that it will look like "playing favorites" or some sort of "affirmative action." Yet, sometimes, these employees are exactly the ones that could benefit most from a mentor and champion.

Even if a team leader is not in a position to mentor an employee, he or she can still be an advocate and ally for team members. This might mean ensuring that team members get fair consideration when it comes to promotions, making a point to recognize HiPos on the team that might not look or sound like other HiPos in the organization, fighting for team resources when biases might be in play, and serving as an example for other teams by displaying all of the above qualities.
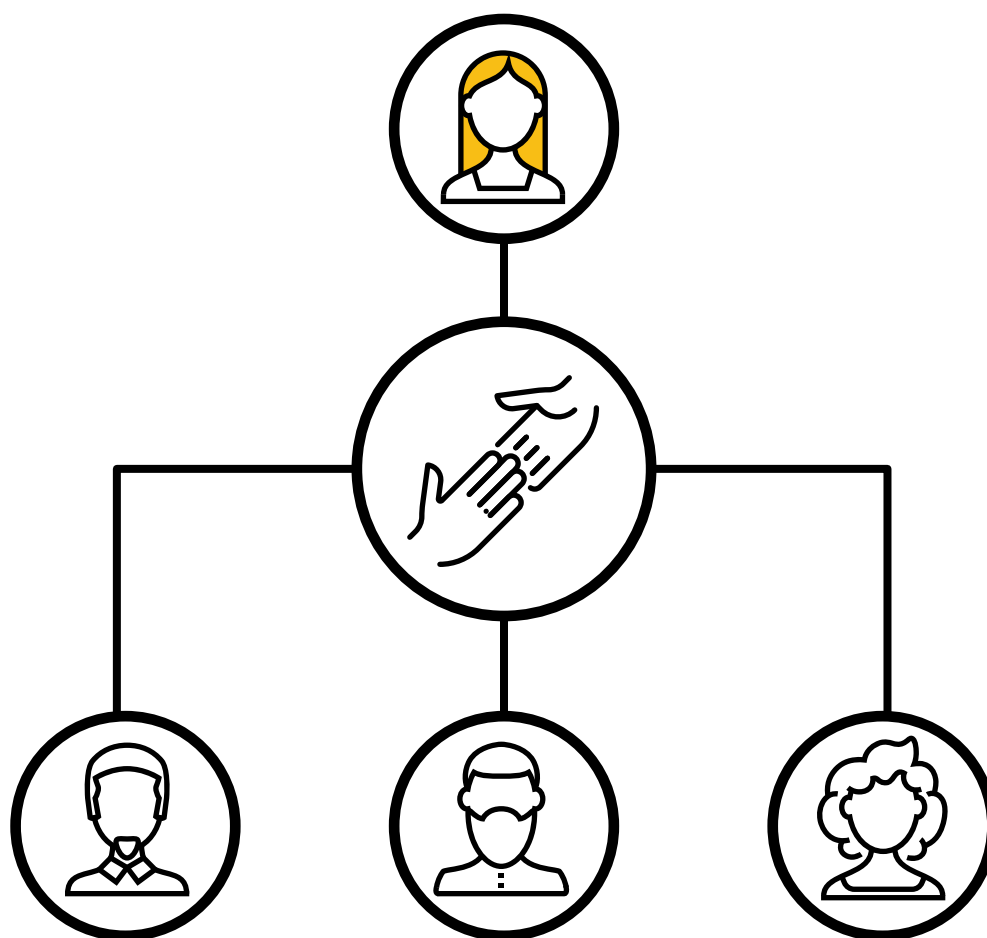
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Increasing Employees' "Diversity IQ"
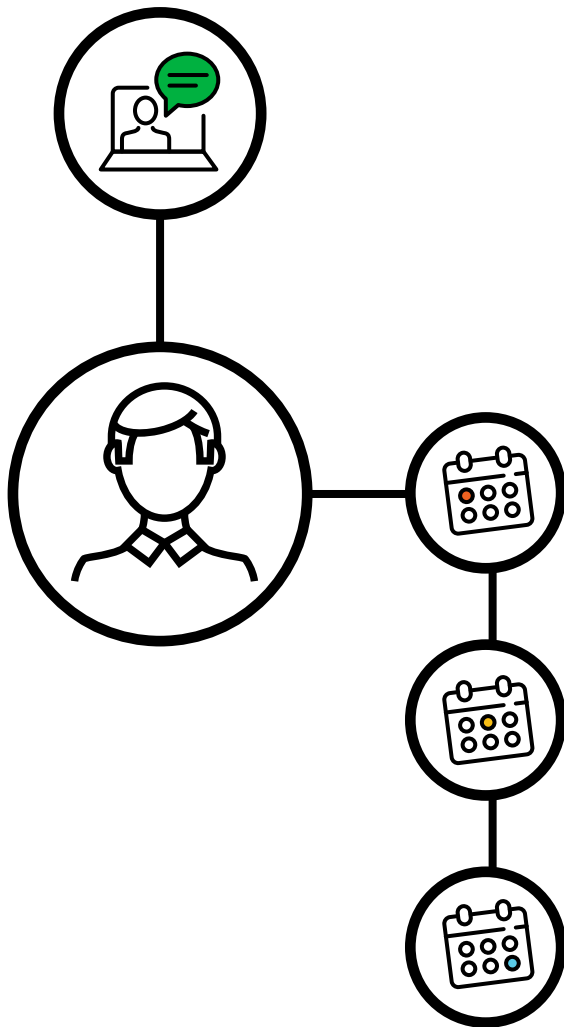
Diverse teams work best when their members practice inclusive behaviors, including ensuring fairness, being open to ideas, supporting other team members, and empowering individuals to use their talents to reach team and organizational goals. When inclusive behaviors are reinforced in an organization, the overall culture will become more open and diverse, and employees will feel more engaged.

Inclusive behaviors don't come naturally to everyone. In fact, it is rare that an individual will display all of them without being taught. Therefore, all employees should be taught about these behaviors and asked to practice them regularly.

For example, when creating our courses about diversity here at HSI, we researched what teams wanted to know about, and what skills they thought they needed help with. We fashioned our diversity series around five main topics:

- What is diversity?
- The diversity continuum
- The mistake of stereotyping
- The power of inclusion
- Does diversity really pay off?

In our Managing Diversity Track, we included these courses, as well as courses of study on:

- Unconscious bias
- Conflict management
- Managing different generations
- Introverts and extroverts
- Avoiding discrimination

For a fun video about Diversity and IQ, we suggest this TEDx Talk by Doug Melville, Chief Diversity Officer TBWA. It can act as a nice ice-breaker to get employees thinking about their Diversity IQ, making them more open to formal training on diversity topics.

As your HR or training department helps employees learn these skills, they should periodically assess their understanding as well as keep track of metrics for team diversity and inclusion. Some companies even devise a "Diversity IQ" test, meant to be a fun way to assess employees' knowledge about diversity in their organizations.

Employees should be taught about these behaviors and asked to practice them regularly.

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Further Reading:

For more stats supporting the benefits of workplace diversity:

Vivian Hunt, Dennis Layton, and Sara Prince, "Diversity Matters" (McKinsey)

For a fun video about Diversity and IQ, we suggest this Tedx Talk by Doug Melville, Chief Diversity Officer TBWA.

On social awareness and workplace empathy:

Kathy Irish, "Improve Employee Social Awareness Through Workplace Empathy"

An extended version of the argument against a "checkbox" compliance culture:

"Why Compliance Training is More Than a Checkbox"