

The ROI of D&I

Creating a culture of diversity and inclusion encourages innovation, boosts productivity and instills an atmosphere of employee commitment

Some 54 years ago, legislators sought to outlaw discrimination based on religion, sex, national origin, race and color through the Civil Rights Act. Twenty-six years later, in 1990, they prohibited disability-based employment discrimination with the Americans with Disabilities Act.

Still, in 2018, the U.S. Bureau of Labor Statistics reports the unemployment rate is 3.9% for white adults but 5.4% for Hispanic or Latinos and 7.3% for African Americans. Even higher are unemployment rates for adults with disabilities, at a staggering 10.5% compared with 4.6% for those without disabilities.

“The labor participation rate is just way too low,” said Jeff Dolven, president and CEO of Skookum Contract Services in Bremerton, Wash. “Over time, we find people just don’t get the opportunity they need to put their skills to work in the world. It goes back to old-fashioned bias and prejudice—the false belief that they aren’t going to make you as much money.”

Since enacting federal laws, states and towns also have passed protections against discrimination for everything from gender and sexual orientation to political affiliation.

And while some companies are just trying to remain within the laws, others are **proactively redefining their corporate communities to create welcoming environments that spur engagement and growth.**

One company focuses on numbers (diversity) while the other endeavors to give everyone an opportunity to exercise power (inclusion), explained Earl Lewis, past president of the Andrew W. Mellon Foundation, a soon-to-be director of the Center for Social Solutions and a professor at the University of Michigan.

“Inclusion means we’re all part of defining the contours of community,” said Lewis.

A culture of diversity and inclusion:

1. Boosts morale
2. Promotes a culture of learning
3. Drives innovation and productivity
4. Increases innovation revenues
5. Attracts millennials and other talent
6. Retains talent
7. Creates a prosperous democracy

Sources: Harvard Business Review; Institute for Public Relations; PwC, “Our Compelling Interests”

Author

Leslie D. Green
Crain Content Studio

Key takeaways

- A strong D&I culture allows people to realize their full potential, spurring engagement and responsible growth, and helping companies outperform
- Teams with diverse perspectives may improve innovation and productivity, increasing marketable ideas and sharpening competitive edge
- Diversity helps the hiring process by accessing an untapped workforce, while inclusion allows employees to be their true selves at work, making them more likely to stay

However, as the racial and ethnic makeup of the country changes, Lewis, who is co-editor of “Our Compelling Interests: The Value of Diversity for Democracy and a Prosperous Society,” said diversity and inclusion become vital.

He said by 2050, the U.S. will have a non-white majority that resides along the east and west coasts, resulting in two forms of America: a coastal America and an interior America.

Consequently, he said, “A prosperous democracy will need to define diversity, leverage diversity and show we value diversity for the benefit of a prosperous democracy.”

D&I drives performance

Diverse corporate cultures that instill an atmosphere of employee commitment encourage innovation and productivity.

“If employees are engaged and driving business strategies and executing on whatever part of their role they need to execute, we are going to be a better business,” said Gabriel Bruno, chief human resources officer at Cleveland, Ohio-based Lincoln Electric Corp., a 123-year-old welding company.

“In today’s day and age, with technology and the ease of communications, it’s a necessity to be able to work together with a high level of respect and openness.”

Diversity and inclusion also improves the development of products tied to market needs and increases morale because employee ideas are valued and shared, Bruno said.

Furthermore, Lewis said, **D&I helps companies get the best advantage with stockholders, shareholders and the market.**

“The traditional markets have expanded, and they have to be able to reflect it,” he said. “(Executives) need to consider to whom will they sell their products, where they will find the talent to sell their products, and how they will nurture the talent that will continue to energize and innovate their companies.”

HubSpot Inc., a developer and marketer of software products in Cambridge, Mass., is working to grow into a global technology company, said Chief People Officer Katie Burke.

“We’re a very data-driven organization, and the data is clear,” she said. “Diverse groups perform better.”

HubSpot sells and markets to a diverse clientele; so, Burke said, “It’s imperative (our staff is) as diverse as the people we’re trying to serve.”

Return on Investment of D&I

- Gender-diverse companies perform 15% better.
- Ethnically diverse businesses perform 35% better.
- For every 10% increase in diversity and gender of executive teams, company earnings before interest and taxes (EBIT) rose 8%.

Source: McKinsey Global Institute

In addition to pleasing shareholders and customers, Lewis said, **employees want to be part of a company that both does well and does good.**



Source: McKinsey Global Institute

Companies that embrace two-dimensional (2D) diversity — pairing of inherent diversity, such as race, gender or nationality, with acquired diversity, such as technological literacy, military experience and language skills — are 75 percent more likely to implement marketable ideas and 45 percent more likely to improve market share than those without 2D diversity, according to a report from Harvard Business Review’s (HBR) Center for Talent Innovation.

“The passion is palpable when you feel the company you work for is doing the right thing,” said Rita Sola Cook, Midwest Region Executive – Global Commercial Banking at Bank of America Merrill Lynch.

In looking at 1,000 different cases, Scott Page, author of “The Diversity Bonus” (the second book in the “Our Compelling Interest” series), found there is greater benefit to a company that has a cognitively diverse team working on a problem.

Likewise, Dolven and Cook said teams are always better off when there are multiple viewpoints or perspectives.

“The number one issue companies face is talent recruiting and talent retention,” added Cook, who is also chair of the Global Diversity & Inclusion Council for Global Commercial Banking at Bank of America. **“Whether through employee networks or other ways, leaders and mentors should look at the quality of peoples’ work rather than their backgrounds. It’s about recruiting our next generation of employees, our next generation of leadership.”**

But, Lewis explained, employers habitually weigh up to 10 variables — such as GPA, test scores and educational background — when screening candidates. And though the teams companies formed have a range of skills, they don’t do as well as diverse sets of teams.

Inclusion matters

Whereas building a diverse workforce is significant, inclusion helps individuals, and their companies, succeed.

Adding diversity without addressing inclusion means companies are less likely to get the results they want, explained Lewis.

Inclusive companies empower team members to make decisions, ensure they speak up and are heard, and employ staff feedback, reports HBR. Subsequently, those employees are 1.3 more times likely to “feel their innovative potential is unlocked.”

But diversity without inclusion, HBR reports, impedes progress. For example, ethnically diverse leaders often won't hire other persons of color because they don't want to appear to be giving special treatment.

“It's about truly embracing the workforce and having courageous conversations, which means seeing a part of the story that you might not have experienced in the microcosm you grew up with,” said Cook.

Burke said her company established Humans of HubSpot because “our experiences have more in common with others than what people think or realize.”

Humans of HubSpot, she said, is dedicated to giving people an opportunity to share a personal narrative about something that impacted their life, such as adopting a child of a different race or getting a parent's approval.

“Creating common bases creates comfortable spaces so people can make connections,” Burke added.

Cook added, “If people can bring their whole selves to work, studies show they are more engaged, they will speak up and there is a retention value. They can be more creative.”

By whole selves, Cook is referring to employees' ability not to hide if, for instance, they are LGBTQ, a veteran or are having difficulties at home.

“People shouldn't feel the need to cover,” Cook said. “We do it naturally to try to assimilate. But at the end of the day, there are things that happen in your personal life from a family situation to something related to your cultural background. Companies have to create an environment where they can be creative and successful — where there isn't any prejudice and decisions aren't made for them.”

At the same time, Cook said, companies need to remember to include white men so they don't get lost in the discussions.

Still, HBR research shows employees waste energy compromising their identity to conform to corporate standards.

According to the report, 37% of African Americans and Hispanics and 45% of Asians feel the need to compromise their identity, and women in science, technology and engineering often feel they must behave like men to become leaders in their fields.

However, employees who feel they can bring their whole selves to work are 42% less likely to make plans to leave the job the first year, HBR reports.

Lincoln Electric executives see diversity as a fact. “Everyone inherently is different,” said Bruno. Therefore, the company places more emphasis on inclusion. “This is how we relate to one another. Integrity is the Golden Rule and that includes treating others as we want to be treated.”

Leading by example

To convince other companies to hire a diverse workforce, specifically veterans and individuals with disabilities, Skookum Contract Services leads by example.

The company, whose largest client is the government, primarily provides staff for distribution facilities, janitorial services, grounds and maintenance. About 700 of Skookum's 1,200-person staff has a visible or invisible disability and 400 employees are veterans. Of those veterans, about 300 have a military service-related disability.

“We look for every opportunity we have to find a fit,” Dolven said. “The best way to convince other companies to follow our example is to give people a chance to come in and work with you and for you.”

Dolven said even with the tight labor market, there are some good employees being overlooked.

“If you focus on people's ability and skills and attitude, if you give a human being a real opportunity, they can be a good employee. If that person had a couple of doors shut in their face but you hire them, you are building loyalty and engagement — and that's a powerful thing.”



Source: Harvard Business Review's Center for Talent Innovation

Changing the face of tech

Nationwide, about 68.5% of workers in advanced technology are white and 64% are men, according to the Equal Employment Opportunity Commission. Among executives, more than 70% are men.

HubSpot seeks to put a dent in those figures. Burke said the company, which now has three women on its board, has experienced double-digit improvements in female leadership in recent years. In 2015, Fortune.com named HubSpot the Best Workplace for Women. The company also is trying to hire more ethnic minorities.

“For director-level-and-up roles, we require interviewing a diverse group of candidates. We work with all the leaders on how we can make candidates more diverse,” Burke said, adding that the company holds events, such as women in engineering and Latinos in tech, on college campuses to attract a diverse group of recruits.

“We’ve been super fortunate. A lot of folks on our team want to move the needle and a lot of people want to be part of the company where we are moving the needle,” she said.

HubSpot is also improving company inclusion efforts.



Source: Harvard Business Review's Center for Talent Innovation

“We doubled down on the inclusion side of things—on what it really feels like to be a woman or LGBTQ, or ethnic. It helps people connect and create more meaningful environments,” she said.

In addition to supporting female employees globally through its Women@HubSpot initiative, it has LGBTQ Alliance, People of Color at HubSpot and ParentSpot, which works with parents and helps them support each other and navigate as their families grow.

“We want to create a company we can be proud of,” Burke said.

Building on the Golden Rule

Lincoln Electric has been encouraging a culture of mutual respect and applying the Golden Rule since opening in 1895.

By the nature of the welding industry, as well as its manufacturing profile, the company has a large male mix of talent. However, Bruno said that as training programs and technology evolves, more women are entering the welding field.

“Attracting female candidates is important in how we progress,” said Bruno, adding the company has probably hired more women sales engineers in the past 10 years than in all of the last 50 years. “When you look at the changing dynamics of the workforce over the years, it becomes more diverse. You need all types of talent with all types of backgrounds, races and genders to be able to compete effectively and foster innovation.”

Lincoln employs 11,000 people around the globe. Thirty percent of its management committee and 27% of its board, and 60% of the engineers it has recruited into its 2018-2019 training program are considered, by definition, diverse.

“The reality is, the dynamics of the workforce continues to change. And for any business to be competitive, they need to attract the kind of talent they need for their long-term business strategy,” Bruno said.

The company also fosters dialogue by “nurturing” employee programs, such as those for women in leadership and veterans, that allow teams to bounce ideas off one another and discuss how they fit in, their careers or family life. It also has diversity councils that lead employee-sponsored activities in the company and community.

Bruno said [accountability is fundamental to making diversity-and-inclusion initiatives work](#). His team reports D&I programs, talent attraction and retention, and succession planning to the board twice yearly.

“Having a level of accountability puts pressure on management to think about the programs, activities and messages we are driving into our hiring and retention practices,” Bruno said. “What gets measured gets done.”

A different marketing method

Sabina Ramsey was second in charge in the IT department of one of the largest unions in Sweden, a country known for its progressive views toward equality.

Accordingly, she was shocked when she immigrated to Buffalo, NY.

“I had to grow up,” she said, adding that the support systems for women in Sweden didn’t exist in the U.S. “I wanted a very successful career but you have absolutely no help (here). [I wanted to be a leader for women in technology and advertising because there are very few leaders in our field.](#)”

The only path she saw was entrepreneurship. So, she founded Insight International, a digital marketing company.

Sometimes, Insight International needs to communicate in a variety of languages, she said. For one project, the company contracted with 12 different ethnic groups. She also looks to contract with people of different ages to cultivate multiple perspectives.

Still, Ramsey admits her company doesn’t always seek diversity when it comes to gender. “I hire more women because they don’t always get the same opportunities,” she said.

It’s something she sees every day with potential clients.

“Even though we have awesome clients, they don’t always think we can produce what we are producing (because we are women),” she said. “We are dealing with stereotypes every day. Our approach is that we have to be so much better than our local male-led and -owned companies. We have to be greater listeners and bring additional value to the client. We almost always get our projects through referrals only.”

Ramsey also wants her employees to feel valued.

“It is important to earn money, but it is also important to have a life. Soon, they will become mothers. I think the greatest gift I can give them is to keep them in leadership roles—but flexible leadership roles where they can handle life at home and life at work. I know this is a very Scandinavian approach. But it’s a healthy approach in a work environment. We need to be more respectful of our employees’ needs.”

Measuring the return on investment of D&I

Data indicates a company’s D&I efforts can impact many key business indicators or metrics, such as:

- Positive vs. negative PR
- Customer surveys and loyalty
- Productivity
- Market penetration
- Profitability
- Employee satisfaction surveys, evaluations and retention
- Number of discrimination complaints
- Equal employment opportunity and affirmative action metrics
- Number of underrepresented employees in employee resource groups
- Number of underrepresented employees promoted in senior leadership and on boards of directors
- Percentage of diversity objectives aligned the company’s key strategic objectives
- Accountability and incentive assessments

Sources: Diversityandbestpractices.com, Cisco, Societyfordiversity.org