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## Why diversity in the workplace matters

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There is increasing recognition among top executives that diversity in the workplace matters and may contribute in important ways to higher worker productivity. The CEO's of most of the Fortune 500 companies would probably not disagree with the statement that a globally competitive company must embrace diversity. What is less clear is what this actually means operationally and how a manager may go about making it a reality on the ground. Indeed, a debate on the benefits of diversity immediately leads to a number of related questions. Can incorporating diversity help companies sustain high growth rates? Does boosting diversity help managers make better decisions? Can it improve a company's chances of being profitable? In what ways can it enhance a company's ability to develop new and innovative products for a global market? Could more diversity make employees happier and, if so, in what ways?

### **The changing global economy**

Several factors have contributed to transform the nature of the global economy during the last 30 years. The continued opening of national borders has led to a remarkable expansion of international trade and resulted in important efficiency gains in resource allocation. The coming down of barriers to the flow of goods and services, capital and labor has not always been orderly, has proceeded at different speeds in different parts of the world but, by now, has become virtually universal in its scope. Not only has it emerged as an important driver of global economic growth, but greater openness and stronger links with the world economy have imposed on domestic producers everywhere the valuable discipline of international competition and

contributed to attract much needed capital and expertise, thus enhancing the prospects for growth through increased efficiency. In parallel to the quickening pace of global economic integration, we have seen an acceleration in the pace of technological and scientific progress. Advances in information technology, in particular, have created new opportunities for businesses against the background of an increasingly complex global economy. Reductions in the cost of communication are facilitating the shift of backroom operations to the developing world. As noted by Harvard's Richard Cooper, the multinational corporation, already operating with a global outlook as regards the location of its markets and the sources of supply, is also operating globally in terms of sources of finance and physical location. With reduced transport costs, location is becoming less important and political and economic stability, a well-trained labor force and strong institutional underpinnings are emerging as the key drivers of prosperity. Yet another area in which the multinational corporation has gone global concerns the composition of its labor force, which has become truly international. "Diversity" has been virtually forced upon managers because talent is scarce, it is widely distributed, and to remain competitive one must be ready to tap into this talent pool, wherever it may be, regardless of nationality, the color of the skin or its gender, to name a few of the categories that are used when we speak about diversity.

### **Diversity and growth**

There are several ways to look at diversity. One is to simply argue that companies ultimately will want to attract the best talent and no self-respecting manager would wish

to have his/her hands tied, being forced to look at a narrow subset of the labor market. In this situation diversity is not sought as an end in itself, but rather is the consequence of management's desire to hire the best available professionals, lest they go and work for the competition. A second way to look at diversity is to pursue it as an end in itself, as something that is intrinsically valuable. Indeed, so valuable that the manager might wish to trade it off against some other factor, such as levels of education or experience. For instance, the manager that seeks to hire more women because he/she feels that the company is already too male-dominated and that benefits would accrue from greater gender diversity, over and above those associated with hiring, say, the 10th male computer programmer or financial analyst. In this second view one would argue that diversity has benefits which go beyond an exclusive focus on competence, however measured. Perhaps the best example concerns gender diversity. My own experience suggests that when corporate boards or other groups of people appointed to formulate policies, design programs or undertake some other specific task are all male-dominated, the decisions arrived at will tend to be suboptimal. They will inevitably reflect the priorities and biases of men, who have a particular way of looking at the world and analyzing its problems. However, when the group is diverse, the consultation that precedes the decisions will have benefited from the distinct insights of women, who are as intelligent and mentally agile as men but bring to the discussion a different, sometimes complementary, set of perspectives. To the extent that gender diversity contributes to better decision-making, the company will benefit and one will see it grow and evolve in more imaginative ways.

### **Diversity and decision making**

Diversity expands the pool of available human resources, because the company can tap into a much larger reservoir of human

experiences and insights. When you have a diverse team working on a project or managing some particular task, the consultation process will benefit from a richer variety of views and perspectives. Some individuals will be systematic and analytic, will look at a problem with a mathematician's mind. Others will be more intuitive and their minds will look at problems in the context of relationships and prior experiences. Others may bring a time perspective which may be highly valuable but can be gained only through many years of work and considerable "trial and error". Diversity is enriching because it expands the range of human capabilities that are brought to bear on the analysis of a particular problem, the search for a particular solution. It would follow, for the reasons outlined above, that diversity could, in principle, boost profitability as well.

### **A demographic angle to diversity**

However, there is another dimension to the issue of diversity, one that is seldom addressed when discussing the value of diversity in the workplace and is linked to demographic factors. The rich industrial countries of the OECD, to a greater or lesser extent, are facing a problem of rapidly aging populations. Increases in life expectancy combined with declining fertility rates will have systemic implications for the sustainability of pension systems, for the ability of governments to remain faithful to the key elements of the social contract which have sustained, particularly in Europe, notions of solidarity and social cohesion. One important element of the solution to these perturbing demographic trends will be to work longer and retire later. Governments will have to become much more adept at boosting the training of the workforce, at extending the useful productive life of workers, perhaps in increasingly flexible settings. This, in turn, will force governments to reconsider expenditure priorities with a view to making resources available for re-training. This is a key element of better management of the

globalization process. But it also means that we will have to accept that older people, often bringing decades of work experience, have a potentially useful contribution to make, further adding to diversity in the workplace. As science continues to expand the span of an individual's active life, we will see more and more people in their late 60s and 70s able to make valuable contributions to the life of the company.

### **Can diversity boost innovation?**

The US Patents and Trademarks Office publish annual data for a large number of countries on the number of patents for inventions granted per million inhabitants. The 10 most prolific innovators are the United States, Japan, Taiwan, Finland, Israel, Switzerland, Sweden, Germany, Korea and Canada. This data can be analyzed from a number of different perspectives. First, the data highlight the extent to which the ability to innovate is broadly distributed across the globe. Taiwan, a small island with a largely agricultural economy 50 years ago has become a global technology powerhouse, with more innovations per year than India, Russia and China combined. Israel, a small country with less than 7 million people, has well over 100 companies listed in the NASDAQ, more than the United Kingdom, Germany and France, G7 members with a combined population in excess of 200 million people. Like Taiwan, it has quickly evolved from an exporter of citrus in the early 1990s, to an exporter of sophisticated high-technology equipment today. In recognition of the highly "democratic" distribution of talent across geographical regions, one is not surprised to discover that the global corporation is increasingly a faithful reflection of the diversity of the human family.

However, the ability to innovate is a function of many factors and it would be inappropriate to say that diversity by itself will have a tangible impact. The key drivers of technological innovation appear to be a

first class university system that is able to deliver to its students the latest in knowledge and training. There is clearly a role for government, not just in making available the resources that will boost the quality of higher education, but also in providing other incentives to encourage the creation of an environment that nourishes critical thinking and the ability to challenge established views and modes of thought. Diversity can certainly help, but it is not essential. Witness Japan—not a particularly diverse society—and yet an impressive innovator, second only to the United States and only by a small margin!

### **Diversity and happiness**

Could diversity lead to greater worker satisfaction and thus, indirectly, boost productivity? This is an interesting question and there is a somewhat unusual angle to address it. Let's go back to August of 2000 and the public announcement of the mapping of the human genome. Natalie Angier, a New York Times science writer wrote a perceptive article at the time in which she referred to "scientists' growing knowledge of the profound genetic fraternity that binds together human beings of the most seemingly disparate origins." She wrote: "Scientists have long suspected that the racial categories recognized by society are not reflected on the genetic level. But the more closely the researchers examine the human genome, the more most of them are convinced that the standard labels used to distinguish people by 'race' have little or no biological meaning. 'Race is a social concept, not a scientific one,' is how Craig Venter, head of Celera Genomics put it. Dr Venter and scientists at the NIH recently announced that they had put together a draft of the entire sequence of the human genome, and the researchers had unanimously declared there is only one race—the human race. 'If you ask what percentage of your genes is reflected in you external appearance, the basis by which we talk

about race, the answer seems to be in the range of 0.01%’ said another scientist.”<sup>1</sup>

These insights are profoundly fascinating because they suggest that, our differences aside, we are essentially one human family. All of this would seem to imply that we need to develop broader loyalties, consistent with this vision of our oneness. For the benefits of globalization to be realized we need to acquire a sense of solidarity that extends to the whole human family, not just the members of our own particular tribe. The English mathematician and philosopher Bertrand Russell spoke of the need to “expand our mental universe” to match the increasingly global vision provided by scientific advancement and discovery. He said that our sense of collective well-being would have to extend to the whole of humanity as it was evident that human society was increasingly behaving as a single organic entity. These observations, made well-over half a century ago, are self-evident in the age of globalization.

## A challenge

The critical challenge for company managers in coming years will be to internalize these scientific insights and to foster the creation of an economy in which diversity is highly valued for the benefits it brings to the workplace, but is seen in the context of our essential common humanity. I think of “unity in diversity” as being perhaps the motto for the business community this century.



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<sup>1</sup> “DNA Research Shows Race Is Only Skin Deep,” *The International Herald Tribune*, August 24, 2000.