



The Business Case for Diversity



The business [case for diversity](#) has been on the minds of business professionals for decades, but perspectives are evolving. It's not enough to simply hire diverse employees. Now, the emphasis is on inclusion and diverse voices. Instead of focusing solely on racial, ethnic, and gender diversity, socially-driven consumer behavior is pushing companies to actively seek out talent from people with disabilities, neurodivergence, and other diverse backgrounds.

Race and Gender by the Numbers

Research published in the [Harvard Business Review in 2018](#) shows that companies with above-average diversity had both 19% higher innovation revenues and 9% higher earnings before income and taxes (EBIT) margins. There was a statistically significant relationship between diversity and innovation outcomes; the most diverse companies were actually the most innovative.

Companies with more than 30% women executives were 25% more likely to have above-average profitability than companies that were below that metric, for example. Corporate leaders in ethnic and cultural diversity also outperform other organizations by 26% in profitability.

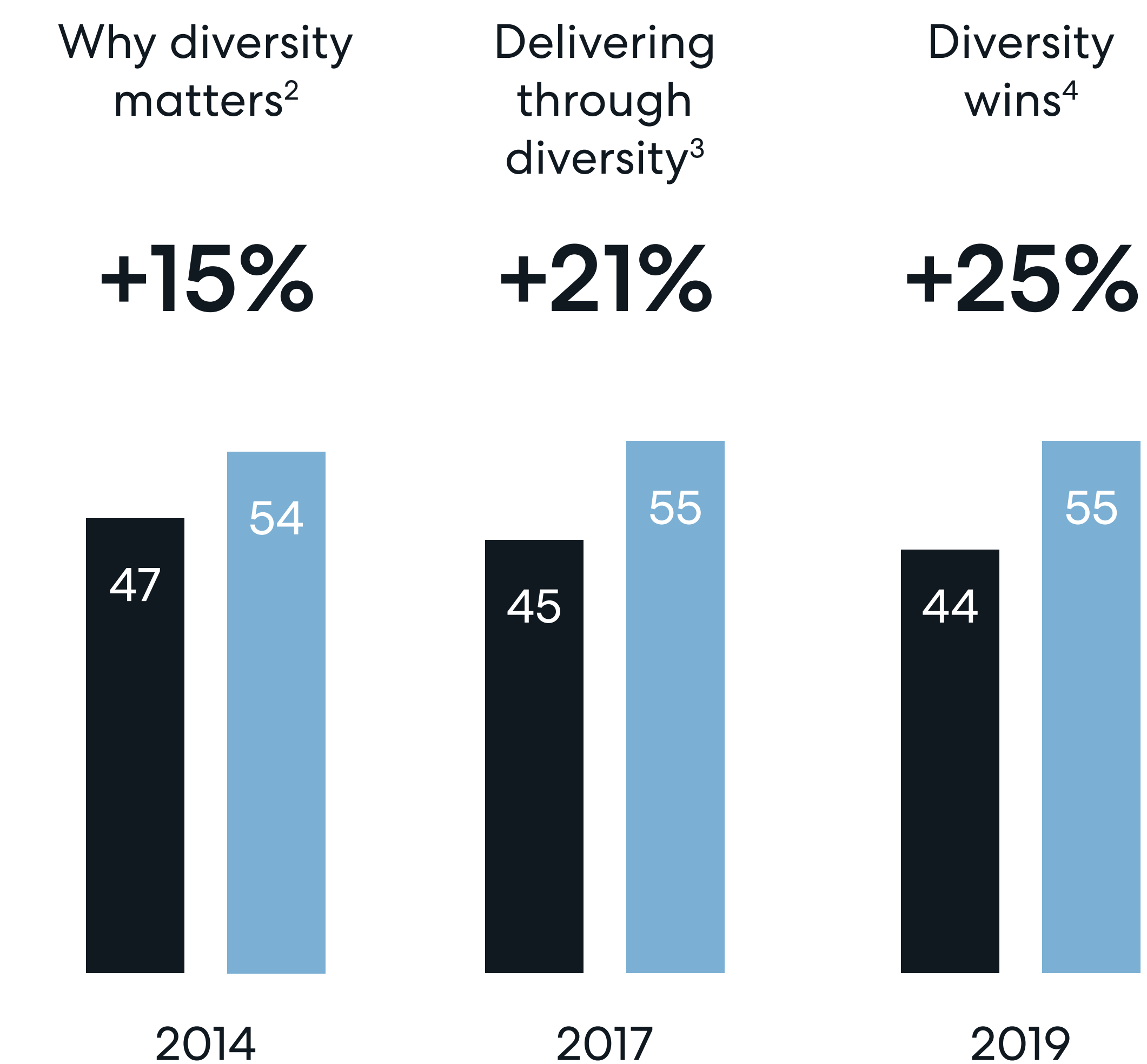
The numbers have it; diversity, equity, and inclusion are good for business.

The business case for diversity in executive teams remain strong.

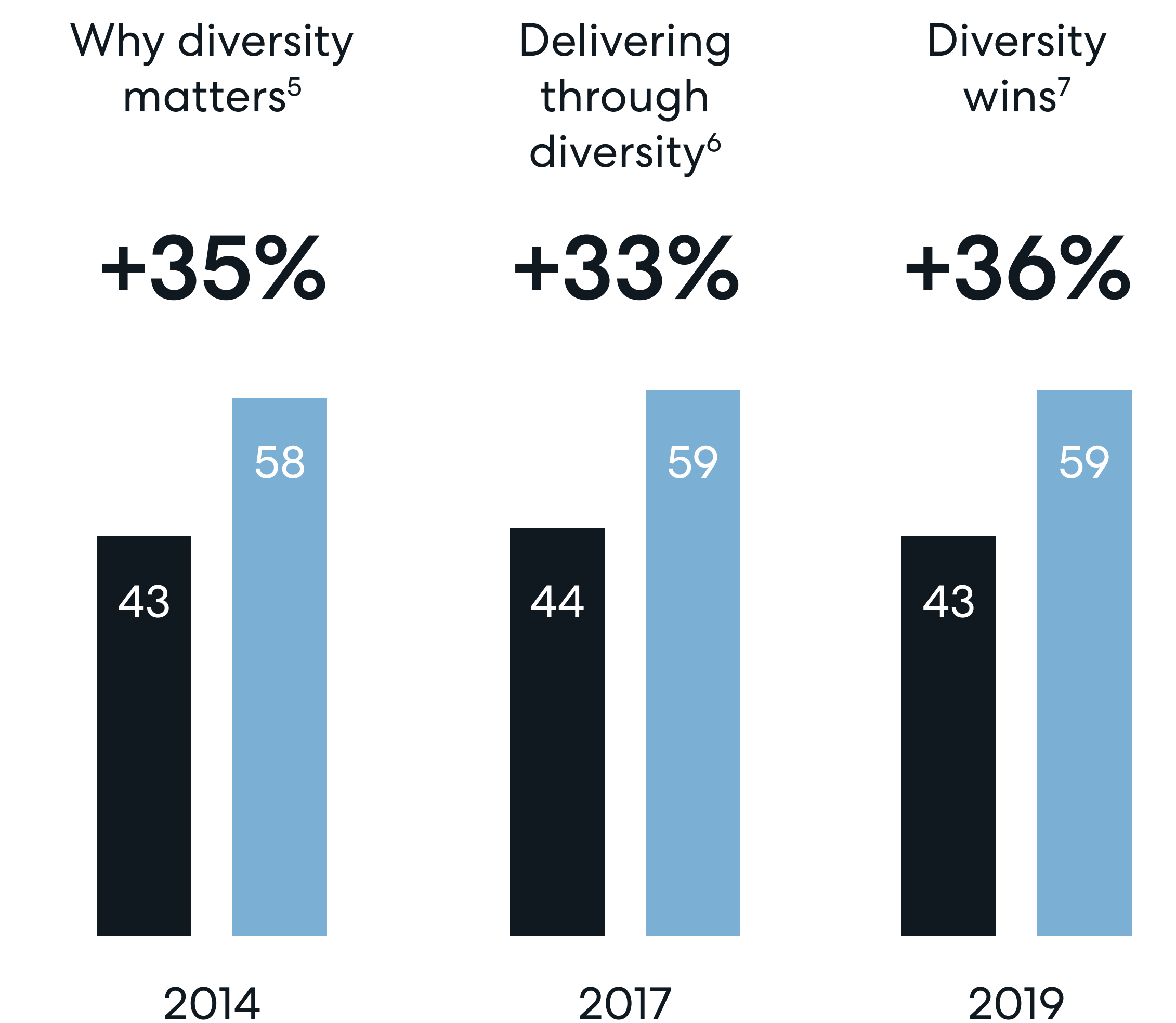
■ Bottom quartile ■ Top quartile

Likelihood of financial outperformance,¹

By gender diversity



By ethnic diversity



¹Likelihood of financial outperformance vs the national industry median; p-value <0.05, except 2014 data where p-value <0.1. ²n = 383; Latin America, UK, and US; earnings before interest and taxes (EBIT) margin 2010–13. ³n = 991; Australia, Brazil, France, Germany, India, Japan, Mexico, Nigeria, Singapore, South Africa, UK, and US; EBIT margin 2011–15. ⁴n = 1,039; 2017 companies for which gender data available in 2019, plus Denmark, Norway, and Sweden; EBIT margin 2014–18. ⁵n = 1,039; 2017 companies for which ethnic diversity data available in 2019; EBIT margin 2014–18. ⁶n = 1,039; 2017 companies for which ethnic diversity data available in 2019; EBIT margin 2014–18. ⁷n = 1,039; 2017 companies for which ethnic diversity data available in 2019; EBIT margin 2014–18.

Team Diversity Leads to Product Success

There is plenty of [research](#) indicating that greater diversity helps with product success, but we can quickly see the impact of diversity on product development by reviewing a famous product failure.

Those of us using Word in the late 1990s will remember “Clippy,” Microsoft’s animated office “assistant” that became [its most unpopular feature](#) ever introduced. It wasn’t just that the paperclip-shaped icon interrupted users about basic tasks; many women found Clippy creepy.

In fact, the expensive focus-group results that Microsoft conducted prior to launch revealed that women felt they were being leered at by the overtly masculine characters. The predominantly male design team didn’t experience the same response and rejected the findings. Microsoft shipped Clippy in 1996. They were attempting refinements just four years later and retired the feature forever in 2002.

When we consider the first iPhone announcement was in January 2007 and the increasing popularity of digital assistants since, it seems Microsoft’s idea was ahead of its time. Greater diversity in the design phase may have made Microsoft the leader in digital assistants.

Diversity in Abilities

Recent research shows there is huge opportunity for growth if businesses focus on hiring people with disabilities. In 2018, [Disability Inclusion research by Accenture](#) found that companies that include employees with disabilities outperform peers that don’t. In fact, companies leading in this metric of inclusion were twice as likely to have higher total shareholder returns than those trailing behind.

Hiring for Diversity and Inclusion

According to a 2020 [Forbes article](#), only 16% of corporate directors surveyed believed their companies scored “excellent” for recruiting a diverse workforce. Only 15% felt their companies were excellent in developing diverse executive talent. And a full 83% believed that companies should be doing more to promote diversity. It seems the business community agrees that diversity and inclusion are good to strive for, but perhaps leaders are unsure how to achieve it.

Companies see results when they explicitly state that diversity and inclusion are goals of the company, and when they have a diverse means of prospective employee assessment rather than a simple, standard interview process (at which people with autism, for example, tend not to excel.)

Fostering an Inclusive Culture

Getting the right employees in place is only the beginning; leaders must also foster an inclusive culture. [Four actions](#) are key: building trust and creating a workplace where people feel free to express themselves; actively combating bias and systems of oppression; embracing a variety of styles and voices; and using employees' identity-related experience to inform the path toward company goals.

Is a Business Case for Diversity Needed?

There's a train of thought that argues against the business case for diversity. Also outlined in the 2020 Harvard Business Review report, this perspective argues that embracing a broad vision of success that prioritizes human dignity and representation for the sake of it is more important than maximizing shareholder returns.

Promising fast financial gains in exchange for diversity can backfire; if gains aren't delivered fast enough, support for equity and inclusion wanes. But the importance of these ideas does not. As the article's authors state:

"Why should anyone need an economic rationale for affirming the agency and dignity of any group of human beings? We should make the necessary investment because doing so honors our own and others' humanity and gives our lives meaning. If company profits come at the price of our humanity, they are costing us too much."



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U.S. Headquarters
1330 Broadway, 7th Floor
Oakland, CA 94612
Tel: 1-415-590-8300

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