

## The Benefits of Diversity & Inclusion Initiatives

by [Russ Banham](#) | June 1, 2018 at 6:06 am



Many workplaces today reflect the exceptional diversity of the United States. Proud of their workforce diversity, companies highlight it on annual report covers and in recruitment and marketing materials. But beyond looking diverse, are these workplaces actually inclusive?

No figures or statistics can adequately answer that question, but the fact is that without inclusion—the feeling that one is of equal standing to other members of a group—diversity has little value other than for appearances. Companies miss out on the significant business opportunities that can be gained from the varying perspectives and innovative approaches of people of different ages, races and national origins.

They also run the risk of legal and reputation trouble. Federal laws like Title VII of the Civil Rights Act prohibit job discrimination based on race, color, sex, national origin, religion, age, equal pay, disability or genetic information. These laws have helped create workforces that mirror regional and local demographics. But the same laws also address inclusion: If an employee feels his or her contributions are not as highly valued as those of the dominant demographic in the organization and is passed over for a promotion, the company could be sued for “disparate treatment,” a form of employment discrimination.

Such lawsuits are costly and nasty. If made public, the organization can also be condemned by the media and the public for the hypocrisy of its diversity and inclusion (D&I) initiative, leading to severe reputation

damage. As a result, diversity and inclusion is understandably a subject of substantial import to risk managers.

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### **Broader Perspectives**

Avoiding the risks should not be the only impetus for implementing diversity and inclusion initiatives, however. There are major opportunities to be gained from substantive efforts as well. “While companies routinely hire for diversity, the real business benefits come from inclusion,” said Therese Tucker, founder and CEO of BlackLine, a financial and accounting automation software provider. “Without real inclusion, the company’s D&I initiative is only half-baked.”

Feelings of inclusion give all people the confidence to openly express their ideas, increasing the likelihood that they will voice unique ideas that can improve the business. “The wider the spectrum of colleagues with diverse backgrounds in an organization, the greater the likelihood of accumulating novel ideas that contribute to business growth,” said data scientist Henna Karna, chief data officer at XL Catlin, where she is at work on a digital program to scientifically demonstrate the value of workforce inclusion.

Inclusion also fosters higher employee engagement, productivity and company loyalty, resulting in higher retention rates. “It’s easy to hire for diversity, but if you don’t have a culture of inclusion, people will leave, and when they leave, word gets out about why,” said Cecile Alper-Leroux, vice president of human capital management innovation at human resources software firm Ultimate Software. “Alternatively, if you truly listen to the ‘voice’ of all employees, people feel they matter and will give more of themselves.”

Unfortunately, traditionally underrepresented groups often feel they have no voice—they are outsiders on a team of insiders. These insiders are typically, but not always, older white men. Often, the outsider believes he or she must bend to the norms of this dominant culture. When this occurs, it mutes creative friction—or creative abrasion, as it is also called—wherein ideas can be challenged productively.

“Someone from a non-dominant demographic should not feel they have to constantly take into account the dominant demographic,” said Vanessa Scott, partner and chief diversity officer of global law firm Eversheds Sutherland. “Rather, the dominant demographic must take into account the needs of the non-dominant person. That is the crux of inclusion. The leaders who understand this will get an investment return on their employees’ diversity.”

Many companies fail to seize this opportunity. According to a 2016 study by McKinsey & Company, while more than 75% of CEOs list “gender equality” as one of their top 10 business priorities, women are still less likely to receive a promotion or be on a path toward leadership. Corporate America promotes men at 30% higher rates than women during their early career stages, and entry-level women are significantly more likely than men to have spent five or more years in the same role, the study noted.

Further illustrating the disparity between men and women in the workplace, the *New York Times’* Glass Ceiling Index revealed that there are more men named John in the corridors of American power than there are women of any name. For instance, fewer Republican senators are women than are men

named John, despite the fact that men named John represent just 3.3% of the population, while women represent 50.8%.

And it is not just a problem for women. The careers of other underrepresented and marginalized groups of people are similarly impeded by a dominant demographic hostile to their views and opinions, and such biases are often interconnected. This hostility often derives from deep-seated attitudes or stereotypes that psychologists call implicit or unconscious bias.

“A company that takes a Noah’s Ark approach to populating the workforce with this particular percentage of women, that percentage of people of color, and this percentage of LGBTQ people thinks they have done a great job of diversity, and they have,” Scott said. “Where they may have failed, however, is in not managing people’s inherent biases to promote widespread feelings of inclusion.”

Implicit biases are deeply ingrained. A report by the National Institutes of Health found concrete evidence that many people who outwardly profess no prejudice have inward feelings of bias. Using magnetic resonance imaging (MRI) brain scans, researchers uncovered physiological evidence of unconscious racial bias when subjects were shown pictures of people different than themselves. Their brains responded with alarm, even though subjects said they were not consciously aware of racist, sexist or homophobic feelings.

“It’s just muscle memory,” said Scott, who is African American. “But the ramifications are disturbing. For example, when someone from the dominant demographic screws up, the team leader who is part of that demographic says, ‘Bob’s a good guy. Yeah, he screwed up, but he’s a good guy.’ When Kareem, a black male, screws up, his treatment can be very different.”

An example of unconscious bias made national news in April when the manager of a Starbucks in Philadelphia had two black men arrested who were waiting for a friend arrested. Amid public protests and boycotts, Starbucks CEO Kevin Johnson apologized for the manager’s behavior, calling the incident “reprehensible.” The coffee chain closed more than 8,000 company-owned stores in the United States for one afternoon in late-May to conduct implicit bias training with employees.

Claims like this typically get a lot of public attention. Since companies don’t want their names dragged through the mud as racist or misogynistic organizations, they tend to settle up quickly.

### **Looming Litigation**

Minority workers who feel their careers were cut short because their contributions were undervalued may decide to file a discrimination lawsuit alleging disparate treatment. According to the Society for Human Resource Management (SHRM), such lawsuits typically depend on the following factors:

- Were people of a different race, color, religion, sex or national origin treated differently than the dominant demographic?
- What is the employer’s reason for this difference in treatment?
- Does the evidence show that the employer’s reason for the difference in treatment is untrue and that the real reason is the race, color, religion, sex or national origin of the employee?

Such cases are tough for employers to win since the perception and reality of discrimination can appear to be the same thing to a jury. “Lack of inclusion is a high-risk situation,” said Kirstin Story, an attorney at

law firm Lewis Roca Rothgerber Christie. “Right or wrong, if someone from a protected class has a perception that their opportunities in the workplace were limited as a result of their race, religion, national origin, gender, and so on, they have a good cause of action and will sue.”

Story described a typical complaint, saying, “It’s a check-the-box exercise where the plaintiff checks ‘yes’ to questions like ‘Did you apply for a promotion and not get it?’ ‘Were you highly qualified for the position?’ ‘How many promotions have you applied for and been denied?’ and ‘Who received these promotions and what is their gender, race and national origin?’”

If people from the dominant demographic received most of the promotions denied to the employee, that is enough to get a complaint heard in district court. The discovery process alone can be protracted and expensive, and once the claimant gets in front of a jury, there is a good chance he or she will win. “The damages—particularly if the plaintiff was a high-income earner—can be very expensive,” she said.

Further, these costs pale in comparison to the potential impact on the organization’s reputation and brand. “Claims like this typically get a lot of public attention,” Story said. “Since companies don’t want their names dragged through the mud as racist or misogynistic organizations, they tend to settle up quickly.”

### **Speaking Up**

What can companies do to avoid such situations? Leadership training is essential to ensure that all employees are encouraged to express their ideas and to disagree with the opinions of others on a team. Tucker said that a healthy group dynamic is essential to get the best out of a diverse workforce. For example, she recalled a situation involving a highly educated female employee from India who was very reserved in meetings with a team of mostly white senior male software engineers. The woman was not comfortable speaking up. When Tucker asked why, she replied that her culture did not encourage women to participate in that way.

In order to help the employee feel more comfortable interacting with her colleagues, Tucker had several coaching sessions with her on how to communicate her vision to the senior engineers in ways that would resonate with them. “Leaders must pay attention to this—to establishing a non-hostile working environment where everyone feels free to bring us their best ideas,” she said.

Karna noted that many people from different cultures actively camouflage their unique capabilities at work out of respect for the dominant paradigm. “When the request is to ‘assimilate,’ sometimes the underlying expectation is to conform,” she said. “This can limit the value of accumulating a broad array of unique perspectives and ideas for the betterment of the firm.”

Anthony McClaren, head of labor and employment at ADLI Law Group, pointed out that there is also a legal benefit to consider when encouraging all people to freely voice their ideas. “Say there is a woman on a team of mostly men who feels insecure about her opinions,” he said. “While there is no legal obligation to encourage her contributions, [doing so] can insulate the company from a legal exposure. That is why I counsel my clients to maintain a record of all team meetings. The red tape can be a burden, but it’s better than a discrimination lawsuit.”

It’s up to managers to bring out the richness of every team member’s life experiences, to create an environment that allows for diversity of thought where everyone’s ideas flow in a respectful way.

## **Elevating Inclusion**

Ultimately, diversity and inclusion initiatives can help companies become more innovative. “We talk about insiders and outsiders—the ways to bring different thought processes into a group,” said Nina Boone, U.S. chair of Aon’s diversity and inclusion board. Insurance is “a very old business, dominated by aging white men who often believe in the old ways of getting things done,” she said. “Now these men are in meetings with a much younger and extremely diverse demographic of millennials. It’s up to managers to bring out the richness of every team member’s life experiences, to create an environment that allows for diversity of thought where everyone’s ideas flow in a respectful way.”

All companies should create diversity and inclusion policies and handbooks that express the value of inclusion, what it is, how it can be achieved, and what is expected of everyone to make it happen, from the top down. There is an important role for risk managers to play in this process as consultants to both legal and compliance on managing these risks, and to human resources on seizing employee engagement and productivity opportunities. “HR and risk management need to partner up to educate managers about inclusive behaviors and the troubles the organization can get into when they get it wrong,” Boone said.

While “inclusion” is difficult to quantify, businesses can try to track their efforts by keeping a record of the new ideas that emerge from traditionally underrepresented employees to give them some idea of whether all voices are being heard. “Innovation by definition is about thinking differently, which is, after all, the seedbed of all successful companies,” Karna said.

When all employees feel confident that their thoughts, beliefs, and contributions are valued equally, the stage is set for creative friction and the innovative ideas that can be produced by people with varying perspectives. “Empathy and respect are what all employees want from their employers, supervisors and colleagues,” Alper-Leroux said. When the conditions to create such an environment are in place, “people tend to give their best and be their most creative.”