

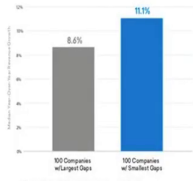
Advances in Strategic Human Resource Management
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Diversity and Inclusion at Workplace: An Strategic Perspective
Lecture – 05 B
Significance of a Diverse and Inclusive Workplace

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Diversity Matters

Close Racial Gaps, Grow Revenue



Category	Revenue Growth
100 Companies w/ Large Racial Gaps	8.6%
100 Companies w/ Smallest Racial Gaps	10.1%

Research has shown many benefits of a diverse and inclusive workplace:

- [Higher revenue growth](#)
- [Greater readiness to innovate](#)
- Increased ability to recruit a diverse talent pool
- 5.4 times higher employee retention productivity,
- brand ambassadorship, and
- intent to stay also rise when racial gaps narrow.

<https://www.greatplacetowork.com/resources/blog/racially-diverse-workplaces-have-largest-revenue-growth>

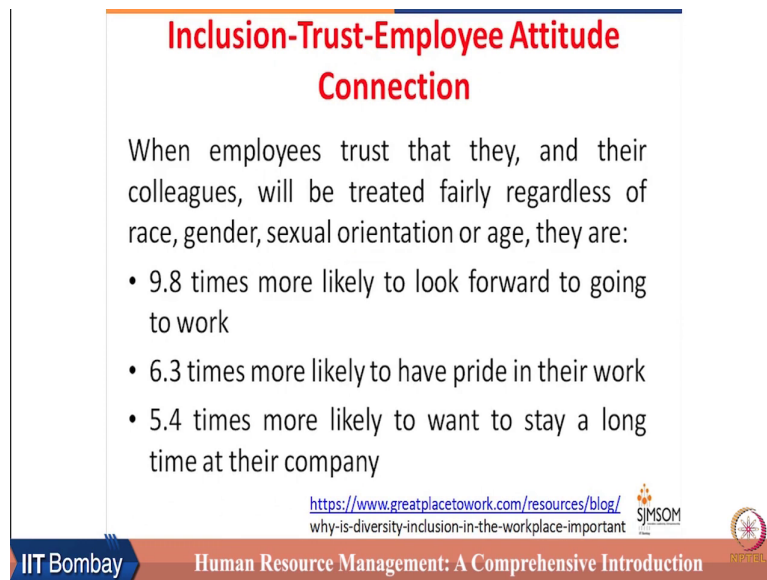
IIT Bombay **Human Resource Management: A Comprehensive Introduction**

It is now fairly recognized that diversity matters. Diversity has a positive association with the higher revenue growth. It has it increases the readiness of organizations to innovate. It increases the ability to recruit a divert diverse talent pool. 4 point 5 times higher employee retention is found in the organization which were high on that diversity metrics.

People who are working in the organization who respect diversity are stronger brand ambassadors of their organizations in market place. People intend to stay longer in the

organization which have deeper respect for diversity and which invest efforts in creating inclusive work place.

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Inclusion-Trust-Employee Attitude Connection

When employees trust that they, and their colleagues, will be treated fairly regardless of race, gender, sexual orientation or age, they are:

- 9.8 times more likely to look forward to going to work
- 6.3 times more likely to have pride in their work
- 5.4 times more likely to want to stay a long time at their company

<https://www.greatplacetowork.com/resources/blog/why-is-diversity-inclusion-in-the-workplace-important>

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Diversity leads to inclusion. Inclusion leads to trust and trust leads to employee positive attitude. So, when employees trust their organization and their colleagues they will be treated about they being treated fairly regardless of the race, gender, sexual orientation or age. They are about 10 times more likely to look forward to going to work. They are more than 6 time more likely to have pride in their work and they are 5 times more than 5 times more likely to want to stay longer with their organizations.

So, you can see that inclusion leads to trust and that leads to many positive attitude amongst the employees which results into their productivity, creativity and that naturally is connected to the organizational benefits.

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Diversity Matters Cont...

- Positive association between diversity and service level
- Phenomenon of 'servicizing' is supported by diversity
- Diversity in teams enhances flexibility
- Diversity increases creativity and innovation.
- Diverse workplace is social and moral imperative.

Kundu, S. C. (2004). HR diversity: A study of employees' perceptions in Indian organizations. *Asia Pacific Management Review*, 9(1).

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Organizations which have high level of diversity are able to serve their customers also better because by the virtue of having diverse work place they have better understanding about the diverse customer segments which they serve. We all know that with most of the products there is a service attached to that in the current times.

For example, a wide goods company not only sells the product, but it also sells the service after sale service, a elevator company or even the food companies try to enhance the service component by having the help line numbers by trying to generate the, try to do the competition or trying to build a community who are the users of those product.

So, this phenomena of converting products into service is called servicizing. When everything is turning into the service role of diversity suddenly increases because it makes people more

sensitive to the different needs of the different segments. When teams are having more diversity.

They are found to show more flexibility and diversity increases the creativity and innovation at work place and this is a very consistent finding not only in the research and development organizations, but in various different types of organizations in the organizations.

Diverse workplace is actually a social and moral imperative as well because in the development of any society, in the development of any country or economy all communities play important role. So, naturally they need to have representation in all organizations. So, in that sense enhancing the diverse workplace is a social and moral imperative.

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The slide is titled "Diversity Matters" Research by McKinsey. It contains two bullet points: "Study of the relationship between the level of diversity (defined as a greater share of women and a more mixed ethnic/racial composition in the leadership of large companies)" and "company financial performance (measured as average EBIT 2010–2013)". The slide is part of a presentation from IIT Bombay, Human Resource Management: A Comprehensive Introduction. Logos for SIMSOM and IIT Bombay are visible in the bottom right corner.

"Diversity Matters" Research by McKinsey

- Study of the relationship between the level of diversity (defined as a greater share of women and a more mixed ethnic/racial composition in the leadership of large companies)
- and
- company financial performance (measured as average EBIT 2010–2013)

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There are some research studies and one of them is conducted by its very extensive study conducted by McKinsey that is the relationship between the level of diversity and companies financial performance. They looked at level of diversity in terms of greater share of women and more mixed ethnic or racial composition in the leadership of the large companies.

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"Diversity Matters" Research by McKinsey Cont...

- The companies in the top quartile of gender diversity were 15 percent more likely to have financial returns that were above their national industry median.
- Companies in the top quartile of racial/ethnic diversity were 35 percent more likely to have financial returns above their national industry median.
- Companies in the bottom quartile for both gender and ethnicity/race were statistically less likely to achieve above-average financial returns than the average companies in the dataset (that is, they were not just not leading, they were lagging).
- The results varied by country and industry. Companies with 10 percent higher gender and ethnic/racial diversity on management teams and boards in the US, for instance, had EBIT that was 1.1 percent higher; in the UK, companies with the same diversity level had EBIT that was 5.8 percent higher.
- Moreover, the unequal performance across companies in the same industry and same country implies that diversity is a competitive differentiator that shifts market share towards more diverse companies.

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And what they found was that companies in the top quartile of gender diversity were 15 percent more likely to have financial returns that were above their national industry median. Companies in the top quartile of racial or ethnic diversity were 35 percent more likely to have financial returns above their national industry median. This was a multi nation study.

Companies in the bottom quartile of both gender and ethnicity oblique race were statistically less likely to achieve above average financial returns than the average companies in the

database. That is they were not just leading they were not just not leading they were lagging result though varied by country and industry.

So, in certain countries some aspect of diversity was found to be more closely more strongly associated with the financial outcome. So, for example, companies with the 10 percent higher gender or ethnic or racial diversity on management teams and boards in US for instance had EBITA that was 1.1 percent higher

Whereas, similar thing in UK companies with the same diversity level they had EBITA that was 5.8 percent higher. Moreover, the unequal performance across companies in the same industry and the same country implies that diversity is a competitive differentiator that shifts market share towards more diverse company.