

Why workplace diversity and inclusion is important

Jack dreads this week's upcoming staff meeting. The agenda includes finalizing team shirts. While he has nothing against company swag — and getting to wear the tee with jeans each Friday would be a nice change of pace — he fears he will be stuck trying to squeeze his large frame into clothing that does not fit. If the organization is trying to promote a sense of belonging, he thinks, this initiative is a failure.

As expected, Jack's manager presents the design that received the most staff votes. Then, however, she does something Jack never expected. She hands out forms on which people are to write their name and circle the size shirt they would like. The choices go well beyond the usual range of small to extra large. Jack can choose a 4X as easily as the coworker next to him can opt for a medium.

Walking out of the meeting, Jack overhears a petite Millennial named Julie tell a colleague how thrilled she was to see extra small among the choices because she would not have to end up looking like she was wearing her husband's shirt. Jack smiles as he thinks to himself, "It feels good when a business cares about an inclusive culture for all."

Size inclusivity is just one of the many ways that organizations can build a better workplace culture — one where employees feel genuinely accepted and valued for who they are. Here, we take a look at the importance of diversity and inclusion both to individuals and to the whole company.

What is diversity, equity and inclusion (DEI)?

Before delving into why diversity, equity, and inclusion matter, it helps to gain a greater understanding of what these terms mean in the work environment.

A diverse workforce is a heterogeneous one. Its individuals possess different backgrounds and identities. The demographics of diverse groups display a range in terms of things such as age, race, ethnicity, religion, sexual orientation, gender identity, and socioeconomic status.

The international professional services network Deloitte offers a great explanation of the term *inclusion*: "The actions taken to understand, embrace, and leverage the unique strengths and facets of identity for all individuals so that all feel welcomed, valued, and supported." An inclusive work environment aims to get rid of barriers that make people wonder if they truly belong there. This could involve anything from Jack's t-shirt situation described earlier to purposely designating a section of a conference room table for a worker in a wheelchair so he can pull up to sit with the group rather than behind it.

Deloitte also offers an effective explanation of *equity*, especially in relation to the similar term *equality*: "(Equity is) the outcome of diversity and inclusion wherein all people have fair access, opportunity, resources, and power to thrive, with consideration for and elimination of historical and systemic barriers and privileges that cause oppression. Equality, by comparison, is when all people are treated identically, without consideration for historical and systemic barriers and privileges."

Note that being strong in one of these areas does not automatically translate into equal effectiveness in the others. For instance, a company may possess statistics that show diversity among its staff as a whole. But, if qualified female employees routinely experience difficulty breaking into the C-suite “boys’ club,” the organization lacks equity. Or, what if a company creates an inclusive atmosphere in that everyone who is there feels accepted, but very few minorities are on the payroll? The organization would fail in the area of diversity.

DEI's effect on employees

People want to come to work each day knowing that they matter. Employee engagement soars when individuals feel like vital, respected members of the company. An inclusive work environment enables individuals to be their authentic selves. Workers know the organization’s executive team values diverse talent and promotes a company culture where the bottom line is what you contribute, not things such as the color of your skin or who you love.

Especially in times of labor shortages, smart companies put a premium on employee experience. Such efforts improve retention and loyalty. Keeping present workers saves the time and expense of recruiting and training replacements.

Diverse workplaces with inclusive leadership reap what they sow. Research from [Great Place to Work](#), a global authority on workplace culture, shows that 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

The benefits of diversity to team performance

Plenty of great things can happen when a diverse group of people makes up your company. Diverse backgrounds promote seeing things through unique lenses. This wider range of perspectives can give the organization a competitive advantage, especially in the ever-growing global marketplace.

Take the matter of decision-making. Suppose a company wants to market a new type of backpack to students returning to school. The group assigned to the project brainstorms how to make the product attractive to a large number of potential buyers. A homogeneous team may generate some good ideas. But, think about what the list of possibilities might look like with a range of voices added to the conversation. Groups with ethnic diversity, gender diversity, and socioeconomic diversity may approach problem-solving from different angles. They can push colleagues to stretch their minds beyond the box: What might kids from different cultures consider “cool”? How might the backpack selection process differ between girls and boys? How does affordability figure in for parents already confronting a variety of back-to-school expenses?

Diverse teams also can help spot bad decisions that would alienate certain customers or be interpreted differently than intended. This company, for instance, would not want to learn after the fact through a barrage of negative social media posts that members of the LGBTQ community find the organization’s new commercial homophobic.

Representation from different backgrounds and identities, however, is just the starting point. Harnessing the

power of a diverse workplace involves creating an inclusive workplace — one in which employees feel psychologically safe to be themselves and participate as equals. Nobody wants to feel like a “token” hire.

Research by Great Place to Work demonstrates the value of inviting every employee into the innovation process. Places that build this type of environment have been found to “generate more high-quality ideas, realize greater speed in implementation, and achieve greater agility — resulting in [5.5 times the revenue growth](#) of peers with a less inclusive approach to innovation.”

The business case for diversity

Speaking of profitability, other studies likewise support monetary reasons for creating a diverse company. The global management consulting firm [McKinsey & Company](#), for instance, found that companies with the most ethnically/culturally diverse boards worldwide are 43% more likely to experience higher profits. It also reports the following regarding [inclusive leadership](#):

“Our 2019 analysis finds that companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies in the fourth quartile. Moreover, we found that the greater the representation, the higher the likelihood of outperformance. Companies with more than 30 percent women executives were more likely to outperform companies where this percentage ranged from 10 to 30, and in turn these companies were more likely to outperform those with even fewer women executives, or none at all. A substantial differential likelihood of outperformance—48 percent—separates the most from the least gender-diverse companies.

“In the case of ethnic and cultural diversity, our business-case findings are equally compelling: In 2019, top-quartile companies outperformed those in the fourth one by 36 percent in profitability.”

[The Network for Business Sustainability](#) adds more support. It notes that “firms with racially diverse upper and lower management do better than firms without diversity at either level. Diverse firms’ productivity is 1.32 times higher than firms lacking diversity.” (Productivity here was measured as revenue divided by number of employees.)

Leadership is not the only place where diversity and inclusion matter to financial performance. Workers who feel cared about, heard, and treated fairly are more likely to put forth greater effort, leading to better monetary results. Unfortunately, some employees feel they are not given the same concern or level playing field as their counterparts.

Businesses that work on eliminating this discrepancy stand to gain. An [analysis of Great Place to Work-Certified companies](#) found that “the 100 companies with the largest gaps between the experiences of white employees and minorities had significantly lower revenue growth than the 100 companies with the smallest disparity. The companies with the most significant gaps averaged 8.6 percent revenue growth, while companies in the top quartile averaged 11.1 percent growth.”

Other considerations for building a diverse and inclusive workforce

Not all that stands to be gained from paying attention to diversity, equity, and inclusion translates directly to dollars and cents. Rather, making DEI efforts standard to the organization’s modus operandi opens doors for things to happen that improve the company’s standing.

For example, developing a reputation as a place that prizes diversity and strives to create inclusive teams can boost your attractiveness to job candidates. A Glassdoor survey reveals more than 3 in 4 employees and job seekers say a [diverse workforce](#) is an important factor when evaluating companies and job offers. This statistic rises to 4 out of 5 among people who are Black, Hispanic, or LBGTQ. As more job seekers see your workplace as

an equitable environment where they feel welcome and have opportunities to advance, your applicant talent pool grows.

Recruitment efforts also profit in other ways. When you have staff diversity, it improves chances that employee referral programs will yield a richer range of suggested new hires. Similarly, diversity expands the likelihood of building connections with new sources of talent through employee connections to different educational institutions, professional and community groups, and even social media followers. Your company could discover talent pipelines it had never before considered.

Companies committed to DEI often experience fewer legal problems related to employment. A focus on fair hiring practices lowers the potential for claims of discrimination. A workplace atmosphere of respect for all decreases instances of harassment and bullying, especially if backed up by a consistent zero-tolerance policy for offenders. A genuine concern for helping all employees reach their full potential makes accommodating the needs of someone with a disability seen as the right thing to do, not as some cumbersome mandate to try to circumvent.

The positive reputation built through keeping diversity and inclusion top of mind goes well-beyond the workplace, though. It extends out into the public and into the minds of consumers. Your customer base grows when people like your company and its principles. Individuals become more willing to listen to your pitch and try your products when they feel your brand includes them. And, with diverse perspectives going into formulating what you offer consumers, there is a higher chance they are going to like what they see.