DIVERSITY AND INCLUSION

Initial Review of Evidence from Research and the Private Sector

Andrew P. Kelly
Cameron Howell
Shun Robertson
UNC System Office
OUTLINE FOR TODAY’S PRESENTATION

Diversity and Inclusion:
Initial Review of Evidence From Research and the Private Sector

1. Definitions
2. What is the "Business Case" for Diversity and Inclusion?
3. What Research Suggests About Building a Diverse Team/Workforce
4. What Research Suggests About Retaining an Inclusive Team/Workforce
For decades, diversity and inclusion have been focal points of hiring and retaining employees in the private sector. Firms invest hundreds of millions of dollars in these efforts each year.

Research on the correlation between diversity and performance suggests that diversity is positively correlated with profitability, innovation, and other metrics.

There is a sizable literature on diversity and inclusion efforts in the private sector and in education, but only a minority of studies feature rigorous evaluations of “what works” to promote these goals.

The lack of rigorous research regarding diversity and inclusion efforts does not mean that diversity and inclusion efforts are ineffective, but that it is hard to tell which programs are effective and which are not.

There is an opportunity for the University of North Carolina System to provide leadership in clearly identifying outcomes and rigorously measuring the effectiveness of initiatives designed to promote diversity and inclusion.
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DEFINITIONS

From Deloitte:

- **Diversity (traditional):** “Representation of all individuals and their various identifiers of gender, race, religion, ethnicity, and sexual orientation.”
- **Diversity (modern):** “Diversity is about what makes each of us unique and includes our backgrounds, personality, life experiences, and beliefs. This broader view of diversity is encapsulated by the idea that diversity is really about diversity of “thought”—where different perspectives and capabilities are the point of difference, rather than our visible characteristics.”
- **Inclusion:** Respect for and appreciation of differences in demographic characteristics such as race, ethnicity, gender, age, national origin, disability, sexual orientation, and/or non-demographic characteristics such as religion, education, experiences, communication style, or work habits.
- **Inclusive:** Embracing all people; making all people feel that they are valued and that they belong in the organization.

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2. **What is the "Business Case" for Diversity and Inclusion?**

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What is the "Business Case" for Diversity and Inclusion?

“An organization making maximum use of the talent available in the labor pool would select a diverse group of employees. These diverse employees would be more effective in dealing with a diverse customer base, and the diverse employees would bring a greater range of perspectives to bear on organizational decision-making.”

What is the "Business Case" for Diversity and Inclusion?

PricewaterhouseCoopers survey of 1,293 CEOs from 77 countries (2015):

85% of CEOs whose organization has a diversity and inclusiveness strategy say it has enhanced business.

56% say it has helped them compete in new industries or countries.

What is the "Business Case" for Diversity and Inclusion?

McKinsey & Company studies in 2015 and 2018:

• 2015 study examined financial data and leadership composition of 360+ companies across the world; followed up in 2018 with over 1,000 companies in 12 countries.

2018 Study found that:

• Companies in the top quartile for racial and ethnic diversity are 33 percent more likely to have financial returns above their respective national industry medians.
• Companies in the top quartile for gender diversity are 21 percent more likely to have financial returns above their respective national industry medians.
• Companies in the lowest quartile on both gender and ethnic diversity are more likely to underperform versus their industry peers on profitability.

What is the "Business Case" for Diversity and Inclusion?

NC State Poole College of Management Study:

- Diversity policy data on the 3,000 largest publicly traded companies in the United States; patent and patent-citation data; new product announcement data spanning the years 2001-2014.

- “Basically . . . we found that a company that checks all of the diversity boxes would see about two new additional product announcements over 10 years.”

What is the "Business Case" for Diversity and Inclusion?

2012 study of 15 years of panel data on the top management teams of the S&P 1,500 firms: **Female representation in a firm’s leadership yields an increase of $42M in valuation.**

2003 study including focus on executives of 177 national banks: **Increases in racial diversity were related to enhanced financial performance.**

2,360 international firms examined between 2005 and 2011 (27,000 senior managers at over 3,000 companies): **Firms with one or more women on corporate board have higher returns on equity and stronger average growth.**

Why Is Diversity an Advantage?

Diverse Teams

• In a sample of 7,600 firms to investigate links among cultural diversity, innovation, entrepreneurship, and sales strategies in London businesses between 2005 and 2007, findings show that "businesses run by culturally diverse leadership teams were more likely to develop new products than those with homogenous leadership."

• In a review of studies on workplace diversity and nonhomogeneous teams, researchers found that diverse teams are more likely to reexamine facts constantly, remain objective, and encourage greater scrutiny of each member’s actions.

Diversity Meets Inclusion

In a review of literature and research on diversity and business productivity and performance, Deloitte researchers argue:

“There is a clear argument for actively managing diversity rather than assuming we will naturally derive the benefits of diversity, merely by placing ‘different’ people in a room together. This argument applies to diverse groups we bring together to solve complex problems, as well as diverse team members who need to work together to perform routine tasks.”

Seventy-Two Percent of Working Americans Surveyed Would or May Consider Leaving an Organization for One They Think is More Inclusive, Deloitte Poll Finds

Thirty percent of millennials surveyed say they have already left a job for one with a more inclusive culture.

NEW YORK, June 07, 2017 — A recent Deloitte survey found that inclusion can play a major role in a professional’s decision to choose an employer. In today’s competitive market, individuals are often challenging employers to think more holistically about what inclusion really means to them, and think more strategically about how to create and maintain an inclusive culture. With inclusion’s growing impact on attracting and retaining employees, organizations should consider broadening their lens on inclusion, pushing leaders to be active role models, and going beyond programs to impact people’s day-to-day experiences.

Inclusion and the effect on talent
Deloitte surveyed more than 1,300 full-time employees across the United States and found that an inclusive culture is key to both hiring and retaining talent. A staggering number of respondents (80 percent) say that inclusion is an important factor in choosing an employer.
FIRMS SEE A BUSINESS CASE FOR IMPROVING DIVERSITY

“The Mountain View, Calif., tech giant is trying to get more women and minorities into technology with an ambitious, $150-million plan.”

“Intel said it has established a $300-million fund to be used by 2020 to improve the diversity of the company’s work force, attract more women and minorities to the technology field, and make the industry more hospitable to employees.”

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What Does Research Suggest About How to Build a Diverse Team/Workforce?

Highlighting organizational diversity in recruitment materials can affect perceptions:

- Rau & Hyland, 2003: 181 undergraduates at a large northeastern university who viewed a recruitment brochure of a fictitious firm; brochure included statements about teamwork and diversity; found that organizations can target specific applicant characteristics with appropriate statements.

- McNab & Johnston, 2002: Male and female participants were presented with one of three versions of a fictitious recruitment ad of a managerial position; one version included no EEO statement, one with a minimal statement, and one with an extensive statement; female ratings of organizational attractiveness were highest for the ad with the extensive EEO statement.

- Kulik & Roberson, 2010: Pictures of diverse employees appear to be effective in attracting members of racial minority groups; pro-diversity statements are found to be effective, too.

Organizations can encourage applicants from different groups by including proactive diversity statements (beyond those required by Equal Employment Opportunity Commission) and by featuring women and minorities in advertisements and recruitment brochures.

Some experimental evidence that job candidates from particular demographic groups are disadvantaged in job searches:

Resume studies:

• 2004 Field experiment: Researchers responded with fictitious resumes to help-wanted ads in Boston and Chicago newspapers; each resume was assigned either an African-American sounding name or a White sounding name.

• Fictitious applicants with African-American names were less likely to be called for interviews than identical, fictitious applicants with White sounding names.

Some experimental evidence that job candidates from particular demographic groups are disadvantaged in job searches:

- Randomized, double-blind study of science faculty from research-intensive universities who rated fictitious application materials for a laboratory manager position; applicant was randomly assigned either a male or female name.
  - Fictitious male applicants were rated as more competent and hired at higher salaries than fictitious female candidates.

- Lab experiment where subjects performed an arithmetic task on which both men and women perform equally well, on average. Employers received varying information (e.g., some received the results of the subjects’ performance on the tests, some only knew subjects’ appearances).
  - Without any information other than a candidate’s appearance, both male and female employers were twice as likely to hire a man than a woman. Discrimination was reduced by providing full information about candidates’ past performance.

What Does Research Suggest About How to Build a Diverse Team/Workforce?

Evidence that some job candidates are disadvantaged in job searches:

**Letters of Recommendation**

- In a review of two studies:
  - Study 1: Sample of 624 letters of recommendation and 194 applicants for eight junior faculty positions from 1998 to 2006 at a Southern university in the United States.
  - Study 2: Six psychology professors served as subject matter experts (SMEs) and were provided with the letters of recommendation from Study 1 and were instructed to rate each applicant on “hireability”; each SME reviewed 100 unique letters and 25 letters were reviewed by all six SMEs; the letters of recommendation were modified by removing names of applicants and recommenders, names of schools, and the gender of the applicants and recommenders.

- Women were more likely to be described in “communal” terms (affectionate, warm, kind) while men are more likely to be described in “agentic” terms (ambitious, dominant, self-confident). Communal qualities negatively impacted hiring.

What Does Research Suggest About How to Build a Diverse Team/Workforce?

Other experimental resume studies have not found evidence of bias in hiring decisions:

- 2016 Field experiment: researchers sent nearly 9,000 fictitious resumes to advertisements for job openings in seven major cities across six occupational categories; randomly assigned names to the resumes that convey information about race and gender.
- Researchers found "little evidence of systematic employer preferences for applicants from particular race and gender groups."

In response to research indicating that some candidates are disadvantaged in job searches, organizations have taken steps to train search committees and develop blind hiring processes:

- In a review of randomized, controlled studies of interventions that affect gender differences in evaluation of job applicants, researchers found that men were consistently rated higher than women with identical qualifications;
- However, when interview committees were provided with clear evidence of job-relevant competencies and the committees used structured interview processes with standardized questions, gender biases were eliminated.

What Does Research Suggest About How to Build a Diverse Team/Workforce?

In response to research indicating that some candidates are disadvantaged in job searches, organizations have taken steps to train search committees and develop blind hiring processes:

- Researchers collected audition records from 8 major symphony orchestras, dating from the late 1950s to 1995 (most symphony orchestras began adopting “blind” audition in the 1970s and 1980s).

- Blind auditions significantly reduced gender-biased hiring and improved female musicians’ likelihood of advancing to the next round.

Concealing the gender and names of candidates leads to fairer evaluation of candidate competence.

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Private Sector Efforts are Plentiful and Varied

Forbes Survey of 321 global corporate officers with responsibilities for diversity and inclusion:

**Figure 5:** Which of the following programs do you currently have in place specifically to develop diverse/inclusive talent?

- Professional development programs: 62%
- Diversity-focused mentoring programs: 61%
- Employee resource/networking groups: 61%
- Affiliations to diversity-focused professional organizations: 46%
- Organization communications focused on different groups: 20%

**Figure 6:** Which of the following programs do you currently have in place specifically to retain diverse/inclusive talent?

- Regular reviews and input to ensure the correct programs are in place: 70%
- Tracking attrition by various categories to monitor progress and development: 59%
- Programs to tie managers’ performance to development and retention of diverse employees: 58%
- Exit interview tracking: 39%
- Tracking promotion rates of diverse groups: 35%

Forbes Insights, *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce* (July 2011)
Lack of Clarity Regarding Measurement and Effectiveness of Diversity Efforts in Private Sector

*Forbes* survey of 321 global corporate officers with responsibilities for diversity and inclusion:

![Figure 13: Does your organization have metrics in place to measure the success of your diversity and inclusion initiatives?](image)

- Yes: 1%
- No, but we are developing them: 28%
- No: 69%
- Don’t know: 12%

Lack of Clarity Regarding Measurement and Effectiveness of Diversity Efforts in Private Sector


**Does your organization have a method of measuring the impact of its diversity practices?**

- No: 18%
- Yes: 66%
- Not Sure: 16%

**Does your organization conduct analysis to determine the return on investment for its diversity initiatives?**

- No: 93%
- Yes: 7%

Research on the Effectiveness of Diversity/Inclusion Programming is Lacking

Paluck (2006) review of diversity training research:

“What rigorous field studies demonstrate the impact of the various types of diversity training? Unfortunately there are very few studies that meet social scientific standards for measuring the casual effects of an intervention.

“Even if one is sympathetic to practitioners’ concerns that diversity programs need time to transform an organization, the lack of evaluation has given rise to cynics who see diversity training as a modern day medicine show.”
Research on the Effectiveness of Diversity/Inclusion Programming is Lacking

Paluck and Green (2009) reviewed 985 studies across academic disciplines focused on “reducing prejudice”:

“[A] small fraction [of these studies] speak convincingly to the questions of whether, why, and under what conditions a given type of intervention works. We conclude that the causal effects of many widespread prejudice-reduction interventions, such as workplace diversity training and media campaigns, remain unknown.”

Research on the Effectiveness of Diversity/Inclusion Programming is Lacking

Bezrukova and colleagues (2016) analysis of 236 scholarly articles related to diversity training:

“While many of the diversity training programs fell short in demonstrating effectiveness on some training characteristics, our analysis does reveal that successful diversity training occurs. . .

[D]iversity training programs seem less effective in changing attitudes. . . So, as the first study that considered both short- and long-term effects of training, we find no compelling evidence that long-term effects of diversity training are sustainable in relation to attitudinal/affective outcomes."

The Limits of One-time Diversity Training Sessions

Boston Consulting Group Study (2017):
• Survey of 17,500 employees examined diversity programming as it relates to gender.
• Interviewed more than 200 senior executives across 21 countries.
• Looked at the effectiveness of diversity programs and initiatives.
• Showed that one-time diversity training sessions are not generally effective as these are insufficient to change behaviors/habits.

1. Compile Data
2. Identify Needs and/or Areas of Concern
3. Address Policies or Practices Affecting Diversity
4. Identify Business Objectives
5. Procure Buy-in and Support
6. Implement Initiatives
7. Communicate the Initiatives
8. Measure and Disseminate Outcomes
What Outcomes Are D&I Initiatives Aiming to Affect?

1. Knowledge/awareness of group differences?

2. Attitudes toward others?

3. Behaviors toward others?

How do you reliably measure #2 and #3?
Some Evidence of Success

Diversity Task Forces:

- Designed to promote accountability, to engage employees who might not otherwise participate in diversity initiatives, and to increase business interactions among women, minorities, and white men.
- On average, according to a study of 800 companies over three decades by Dobbin and Kalev, diversity task forces increase the representation of white women and minorities in management by 9 to 30 percent over five years.
- Deloitte: Implemented a diversity task force to increase the number of women in leadership.
  - Task force relied on transparency (not new policies) to get results, and an advisory council released annual public progress reports.
  - Over eight years, the turnover rate for women decreased and the proportion of female partners increased from 5 to 14 percent.

Some Evidence of Success

Transparency and Incentives:

Sodexo (provider of integrated food, facilities management and other services) Diversity Scorecard Index:

• A diversity scorecard index measures quantitative and qualitative progress in recruiting, retaining, and promoting women and minority employees.

• Managers’ bonuses tied to performance on the Scorecard Index.

• Percentage of minority employees at the company has increased 23 percent since the diversity scorecard and accountability program was implemented.

• Percentage of female employees has risen 11 percent.

Some Evidence of Success

Contact Hypothesis: 1960s Railroad Studies

• Two White students were hired for part-time work and discovered only after hiring that they were to have an African-American co-worker.

• After a month-long task, subjects rated African-American coworkers highly on competence and likeability.

• Participants also expressed less prejudice in later surveys on race relations.

Some Evidence of Success

Contact Hypothesis: University of Michigan Study

• Researchers examined the impact of the Intergroup Relations, Conflict, and Community Program, a living-learning program aimed at helping students understand the relationship between groups and democracy that focuses on dialogue and hands-on experience.

• Study of 174 students—half enrolled in the program and half selected as control group; all students were given a pretest.

• After four years and four post-tests, results showed that White students in the program were more likely to see commonality in interests and values with groups of color than were White students in the control group.

Some Evidence of Success

Mentoring Programs:

Dobbin and Kalev study of 800 companies over 30 years (2016):

- When supervisors are assigned mentees, the representation of African-American, Hispanic, and Asian-American women increases by 9-24 percent.

- When Coca-Cola implemented a mentoring program, 80 percent of mentees had received at least one promotion after five years.
Some Evidence of Success

Mentoring Programs:

2010 report by Catalyst:

- Survey of more than 4,000 MBA alumni who graduated from top schools in Asia, Canada, Europe, and the United States.
- Mentors have an impact on career advancement at the beginning and throughout career progress.
- Men reap benefits of mentoring more than women.

http://www.catalyst.org/system/files/Mentoring_Necessary_But_Insufficient_for_Advancement_Final_120610.pdf
Additional (Cautionary) Note

Diversity and inclusion efforts can have unintended effects:

- Making group differences salient can lead to more conflict.
- Telling individuals to suppress biases can actually activate those biases.
- Requiring managers to engage in diversity training, use hiring tests, etc., may have opposite effect on diversity of hires.
Questions and Opportunities

• How should institutions identify and measure desired outcomes of diversity and inclusion initiatives (i.e., attitudes, behaviors, student success)?

• How should such initiatives be evaluated? What types of research are necessary?

• What do employers and graduates say about how well UNC System institutions are preparing students to work in diverse teams?
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