



7 benefits

of a diverse and
inclusive workforce.

introduction.

If diversity and inclusion aren't near the top of your list of recruitment and workforce management priorities, there is plenty of evidence to suggest they should be.

Research has highlighted a wide range of benefits you're likely to gain if you commit to making your organisation as diverse and representative as possible, from better financial results to stronger internal talent development and leadership.

Let's take a closer look at some of the advantages your business could achieve by focusing on this goal.



1. stronger financial performance.

There's no doubt that the promise of better financial results is a powerful incentive for your company's leadership to commit to building a diverse and inclusive workplace.

Having a more extensive range of talent, experience and insights on your team can help you come up with inventive solutions to challenges and identify new opportunities for growth and innovation. This can make a big difference to your financial results and long-term performance.

McKinsey has been investigating the business case for diversity since 2015, producing three in-depth reports that have shown the links between eclectic leadership teams and financial outperformance strengthening over time.

Key findings in [the latest study](#) showed that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than those in the fourth quartile. The most ethnically representative firms were 36% more likely to exceed expectations on financial performance than those that lagged behind in this area.

The McKinsey research is backed up by findings from [Boston Consulting Group \(BCG\)](#), based on the company's surveys of employees at more than 1,700 companies in eight countries. The results showed that businesses with the most diverse leadership teams had earnings margins that were nine percentage points higher, on average, than firms with below-average diversity on management teams.



2. innovation.

Prioritising diversity in your hiring and workforce management means you will have a broader range of perspectives, backgrounds and ways of thinking in your organisation. This naturally feeds into innovation, since a diverse selection of employees, managers and decision-makers are more likely to come up with the fresh ideas and insights you need to keep evolving and moving forward.

BCG's research gauged business diversity by looking at the percentage of total revenue gained from new products and services launched in the past three years. In companies with the most diverse management teams, innovation revenue accounted for 45% of total income, compared to 26% for businesses with below-average leadership diversity.

Several other studies have produced similar results. A collaborative project between North Carolina State University and Portland State University found that pro-diversity corporate policies - specifically with regards to women and minorities - [enhance innovative efficiency](#).

Research led by the UK's London Business School and Ashridge Business School explored the significance of cognitive diversity, which is defined as 'differences perspective or information processing styles'. The results suggested that more cognitively diverse teams are [better at solving problems](#).



3. greater appeal to job candidates.

If you're in a constant race against competitors to secure talented workers who can help raise your organisation to the next level of success, championing diversity and making it a core part of your [employer brand](#) could give you the edge.

This is particularly relevant if you're looking to the future by recruiting young candidates who have the potential to develop and build a career with you over the long term.

In a [survey by Monster](#), more than four out of five respondents representing Generation Z (people born since the mid-to-late 1990s) said a company's commitment to diversity and inclusion was an important consideration for them when choosing an employer. Past research by Randstad predicted that Gen Z would make up [more than a third](#) (36%) of the global workforce by 2020.

Millennials (generally defined as [anyone born between 1981 and 1996](#)) are another crucial cohort in the modern labor force. While the frequently cited prediction that this group will make up 75% of all global workers by 2025 [has been disputed](#), there's no doubt that you need to be strongly engaged with the needs and interests of millennial employees to succeed. Research has shown that [nearly half \(47%\) of millennials](#) take diversity and inclusion records into account when evaluating potential employers.



4. internal talent development.

Creating a truly diverse and inclusive workplace will help you acquire the people and the skills you need through recruitment, but it will also contribute to another key aspect of your workforce management - internal talent development.

It's well-known that many industries are currently [struggling with skills shortages](#), and there is a high likelihood this will become a bigger issue in the coming years. Gartner has identified global talent scarcity as the [top emerging risk facing businesses](#), while Korn Ferry has warned there could be 85 million jobs going unfilled by 2030, at a cost of [\\$8.5 trillion in unrealised annual revenues](#).

One way to approach this challenge is by identifying the core skills you need and developing them within your existing workforce. If you're truly committed to diversity and inclusion, your internal talent development efforts are more likely to yield results, because every individual will have equal opportunities to upskill, learn new things and fulfill their potential.

Furthermore, people from diverse backgrounds who are respected and supported in the workplace are less likely to want to leave. The longer your employees stay with you, the more opportunities they will have to expand and develop their skill sets.

Research has suggested this is an area many firms could be focusing on more closely. In PwC's [Global Diversity and Inclusion Survey](#), a third of respondents (33%) said diversity is a barrier to progression in their organisation.



5. stronger leadership.

Having diverse figures and voices in leadership roles within your business can be particularly inspirational for junior employees, who should feel confident they will have every opportunity to progress in your organisation, regardless of their gender, ethnicity, religion or any other personal factor.

Furthermore, diversity can lead to everyday benefits such as having a broader and more applicable range of skills at leadership level.

With a wider array of experience and insights on your leadership team, your business is likely to make better decisions and investments. There was evidence of this in a recent study published in the [Harvard Business Review](#) which focused on the venture capital (VC) sector. After examining tens of thousands of investment decisions over the course of several years, the researchers found that diversity “significantly improves financial performance” and increases the likelihood of VC firms making profitable business investments.

[BCG’s research](#) on how diversity fuels innovation showed that the biggest gains come from diversifying the makeup of leadership teams in terms of:

- the national origin of executives
- range of industry backgrounds
- gender balance
- career paths

6. better decision making and problem solving.

Making decisions and solving problems are everyday occurrences in business. Over the long term, your track record of getting decisions right and finding efficient solutions to your most common challenges will be critical factors in your success.

Diversity contributes to better performance in these key areas, because it effectively 'makes us smarter', [past research has shown](#).

When workers are surrounded by people who are different to them, they are likely to be more creative, diligent and hard-working. This was found to be the case with regards to social diversity - race, ethnicity, gender and sexual orientation, for example - as well as variation in skills and professional expertise.



7. keeping up with competitors.

In the ongoing contest to identify, attract and retain the most talented workers, one thing you can't afford to do is fall behind the competition. With an increasing number of organisations focusing on diversity and inclusion in their hiring and workforce management, it's vital to keep up with the pace of change on this front.

The [Global Diversity and Inclusion Survey](#) revealed that 76% of organisations now view diversity as a stated value or a priority area.

There was a similar finding in [BCG's research](#), which showed that 75% of international respondents felt diversity was gaining momentum in their companies. Worldwide responses suggested there was greater progress taking place in emerging markets like China, Brazil and India than in developed economies.

It's clear this is a globally relevant trend that will only become more important in the years to come, so you should have a clear plan for promoting diversity in your organisation.



We can help you optimise various recruitment and HR functions to build a truly diverse workforce, from writing job descriptions and advertising roles to conducting interviews.

[Contact us](#) to start a conversation about your talent needs.