

# Businesses With Workplace Diversity Have 19% Higher Revenue. Here's Why...

7 min read



## Key Takeaways

- **Focus on the Diversity of Leadership Teams:** Companies that had greater diversity among their leadership or management teams had 19% higher innovation revenue than those with less diverse leadership (45% compared to 26% of total revenue).
- **Build A Foundation Of Inclusivity:** Does your human capital strategy value and acknowledge all job applicants and employees? We're not just talking about your "office culture"
- **Appeal to More Investors:** When it comes to monitoring and selecting the companies they support, diversity and inclusion practices play an integral part in the way in which investors assess a company's ESG.

It's a fact! If you aren't prioritizing workplace diversity and equity in your organization, you're missing out on higher revenues, innovation, and stronger talent acquisition opportunities.

For modern businesses to succeed, a diverse workplace is imperative. If you've come to the realization that your company is lacking in diversity, it's time to hone in on your human capital strategy.

A recent study from the Boston Consulting Group (BCG) surveyed employees at over 1,700 businesses in eight countries to look at the impact of diversity on business success and employee satisfaction, and they found some pretty impressive results<sup>[1]</sup>...

Most impressively, the study found that diverse businesses generated 19% more revenue from innovation than less diverse businesses. More diverse businesses also had EBIT (earnings before interest and taxes) margins that were 9% higher than less diverse companies.

Another study found that diverse companies had 2.3 times higher cash flow than those of companies with more monolithic staff. <sup>[2]</sup> Diverse organizations are also 70% more likely to capture new markets than companies that do not incorporate under-represented groups in their recruitment processes.<sup>[3]</sup>

The numbers don't lie. The biggest takeaway? The companies that had the most diverse teams enjoyed greater levels of innovation and higher quality innovation, in addition to their improved financial performance.

## **5 Diversity and Inclusion Best Practices**

To benefit from increasing the diversity of your workplace, however, you simply can't add a couple of lines to your hiring policies and start seeing results.

The BCG study unearthed a few best practices that significantly affect the impact of diversity in business.

### **1. Focus on the Diversity of Leadership Teams**

It starts at the top. If your leadership team is lacking diversity, you are missing out on a key opportunity to create an inclusive culture.

The study found that the strongest impact of diversity occurs at the management level.

Companies that had greater diversity among their leadership or management teams had 19% higher innovation revenue than those with less diverse leadership (45% compared to 26% of total revenue).

## 2. The CEO Must Lead by Example

In addition to creating diverse management teams, the study revealed that it's also important for the CEO to set an example of valuing the business's diversity.

**Read More:** [The Most Common Mistakes of Business Leaders \(And What To Do Instead\)](#)

CEOs can do this by emphasizing the importance of building diversity and inclusivity into the business's overall human capital management strategy and operating framework.

## 3. Strive for Diversity Across Dimensions

The biggest impacts occurred in businesses that displayed diversity across dimensions.

To understand the full scope of diversity, consider the following:

- Age
- Gender
- Disability status
- Nation of origin
- Veteran status
- Educational experience
- LGBTQ status
- Religion
- Socioeconomic background

While promoting diversity across these categories is important and offers the best results, in the study, the categories with the greatest gains occurred when companies had

executive leadership members that were gender-balanced and diverse with respect to their career paths, industry backgrounds, and nations of origin.

#### 4. Operate With a Growth Mindset

An additional way that a business can create a foundation of inclusivity to glean the greatest benefits from the diversity among its leadership and employees at all levels is to operate with a growth mindset.

**Read More:** [Leveraging a Growth Mindset for Business Growth](#)

Business leaders with a growth mindset exhibit the following qualities, behaviors, and operating principles:

- They take an active role and interest in all levels of the business.
- They listen to and value all perspectives – even ones with which they might disagree.
- They are open to new ideas and encourage others to be open-minded.
- They foster channels for open, free, and frequent communication.

Without the ability to communicate freely, the different perspectives and ideas that diversity brings cannot be heard and lose their value to innovation.

Operating with a growth mindset also emphasizes learning from mistakes and failures rather than punishing them. As a result, it encourages employees to try out new ideas rather than putting them down immediately.

In a similar way, a growth mindset celebrates success and uses it as a springboard for learning how to be more successful in the future.

When you operate your business with a growth mindset, you cultivate a workplace culture of positivity and inclusivity that sets the stage for innovation and business growth.

#### 5. Create a foundation of Inclusivity

The study also showed that, for diversity practices to enable a company to really flourish, they must be based on a foundation of inclusivity- meaning exercising fair employee practices like equal pay and equal opportunity hiring.

Take a step back and ask yourself...

**Does your human capital strategy value and acknowledge all job applicants and employees?**

We're not just talking about your "office culture". Inclusivity should be a part of all aspects of your business: your recruiting strategy, vendor relations, financial strategy, and marketing strategy.

## **More Business Diversity Benefits**

When you see numbers like those represented in the BDG study, it's difficult to ignore the importance of business diversity and the positive impacts it can have on your business. In addition to boosting your revenue, diversity can also benefit your business in the following ways:

### **Increase Customer Satisfaction**

With the increases in your problem-solving abilities and innovative creativity that increased diversity brings, your business will ultimately increase customer satisfaction. You can also note the increase in your revenue, as you continue to improve upon your services and products, solve your customers' pain points, and meet their needs.

As a result, you'll increase revenue and customer lifetime value by increasing repeat clients and attracting new business.

### **Appeal to More Investors**

When it comes to monitoring and selecting the companies they support, investors today are keeping an increasingly close watch on environmental, social, and corporate

governance (ESG), and diversity and inclusion practices play an integral part in the way in which investors assess a company's ESG.

The more diversity you cultivate in your workplace and the more policies promoting diversity you include in your human capital management strategy, the more attractive you will be to potential investors.

## **Attract Top Talent**

When your company displays diversity across spectrums (age, gender, and ethnicity), you strengthen your business's appeal to more groups of people and effectively increase the talent pool from which you hire.

Before the labor shortage and turnover surge that we're facing today, there was fierce competition for attracting the most qualified candidates into your business. Now that just about every business has a "help wanted" sign posted in its window, competition is tighter than ever and the power of choice truly lies with the talent.

**Read More:** [2021 Turnover Surge: Investing In Your People Pays Off](#)

Remember it's not only important to attract the top talent to your company but also to put practices into place that help you avoid human capital management mistakes and make your new hires want to continue working for you.

## **Passive Diversity Does Not Work: Build Diversity Into Your Human Capital Management Strategy**

Passive diversity occurs when business leaders attempt to make changes by adjusting policies and/or hiring a more diverse group but then fail to implement the kind of workplace culture that creates a strong foundation for innovation.

While the wide range of perspectives and backgrounds diversity offers is essential to creative innovation, operating with a growth mindset is what creates a psychologically safe environment that promotes and facilitates innovation.

The BCG study showed that, without this type of business culture, diversity is not effective in improving innovation and increasing revenue. Without a foundation for inclusivity, you won't see an increase in your revenue or your ROI on labor costs.

**Read More:** [How To Maximize Profit and ROI From Your People](#)

To cultivate a positive workplace culture that promotes the free exchange of thoughts, is open to different perspectives, and values every individual's ideas, you need to build diversity and a growth mindset into your human capital management strategy.

This means creating several channels for open communication among employees and between different levels of employees, in addition to adjusting your meeting structure to create an environment of positivity, openness, and learning.

When you build a strong foundation of inclusivity in this way, you'll have a workplace culture where all of the benefits of diversity can help your business to grow.

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[1]

<https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>

[2] <https://builtin.com/diversity-inclusion/diversity-in-the-workplace-statistics#0>

[3] <https://hbr.org/2013/12/how-diversity-can-drive-innovation>