

Why Diversity, Equity and Inclusion Matter for Progress and a Healthy Global Economy

A Compendium of Business Case Research



Equipping men as diversity allies
Building inclusive work cultures

Why Diversity, Equity and Inclusion Matter for Progress and a Healthy Global Economy

The business case for diversity is compelling. Over the last three decades, a robust body of research has captured diversity's positive impact on the financial health of companies, countries and the global economy. Diversity benefits innovation, the life blood of economic prosperity and the efficacy of teams, and fuels the accomplishment of goals, routine as well as transformative.

GenderWorks has compiled a wide range of research studies, sharing key insights and summarizing important findings to create a resource for exploring the depth and breadth of the diversity business case.

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GLOBAL AND COUNTRY-LEVEL FINANCIAL HEALTH

Group think was a major contributor in the failure to identify and help mitigate the 2007 global recession: The Great Recession beginning in 2007 had consequences that reverberated around the world yet the organization explicitly tasked with monitoring the health of the global financial markets – the International Monetary Fund or IMF - missed the cues. Its internal watchdog investigated to determine why this happened, concluding that a culture characterized by "groupthink" and a failure to "connect the dots" played a primary role in the IMF's negligence in identifying the harbingers of a coming global financial crisis.

Source:

<https://www.telegraph.co.uk/finance/economics/8314688/IMF-groupthink-masked-dangers-of-financial-crisis-finds-watchdog.html>

Rowley, Emily, The Telegraph, **IMF 'Groupthink' Masked Dangers of Financial Crisis, Finds Watchdog** (February 10, 2011)

Investments targeted at gender equality exert a strong positive impact on gross domestic product (GDP):

Compared to general public investment in labor market and education programs, targeted gender equality investments exert a particularly strong impact on GDP. The connection of women in the workforce and economic prosperity is evidenced by the relationship between the World Economic Forum's Gender Gap Index and Human Capital Index. The countries with the most favorable Global Human Capital Index scores have narrowed their gender gaps, strengthening the development and deployment of women in the workforce.

Source:

http://www3.weforum.org/docs/WEF_GGGR_2017.pdf

World Economic Forum, **2017 Global Gender Gap Report**, pp. 26 – 30 (Part I: Measuring the Global Gender Gap: The Case for Gender Parity)

The full use of female talent across the world forecasted a boost to global GDP over 10 years equivalent to the combined economies of the U.S. and China: A study by the McKinsey Global Institute found that if female talent was fully utilized, with women employed globally at the same rate as men, it would have resulted in a 28 trillion-dollar boost to the global gross domestic product. This increase was described as roughly comparable to the combined value of the Chinese and U.S. economies as of 2015 when the research was conducted.

Source:

http://www.mckinsey.com/insights/growth/how_advancing_womens_equality_can_add_12_trillion_to_global_growth/

Jonathan Woetzel, Anu Madgavkar, Kweilin Ellingrud, Eric Labaye, Sandrine Devillard, Eric Kutcher, James Manyika, Richard Dobbs and Mekala Krishnan, McKinsey Global Institute, **The Power of Parity, How Advancing Woman's Equality Can Add 12 Trillion to Global Growth** (September 1, 2015)

COMPANY FINANCIAL HEALTH

Women leaders play a key role during market downturns: The Credit Suisse Research Institute found that among the more than 2000 companies whose performance they analyzed over a six-year period, those with at least one female board member yielded higher return on equity and net income growth than companies without any women on their boards. Furthermore, the researchers discovered that the differential in performance as a result of women's representation on corporate boards had a far more significant effect during the market downturn in comparison to years of robust market growth.

Source:

<https://www.credit-suisse.com/corporate/en/media/news/articles/media-releases/2012/07/en/42035.html>;

<https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/diveristy-on-board-201506.html>

The Credit Suisse Research Institute, **The CS Gender 3000: Women in Senior Management** (September 2014)

Strength in female leadership associated with higher return on equity: Based on analysis of the companies in the Morgan Stanley Capital International (MSCI) World Index, organizations with strong female leadership generated a 36% higher return on equity than those lacking gender diversity in leadership roles.

Source:

<https://www.msci.com/documents/10199/04b6f646-d638-4878-9c61-4eb91748a82b>

Morgan Stanley Capital International ESG Research Inc., **Research Insights – Women on Boards: Global Trends in Gender Diversity on Corporate Boards** (November 2015)

Sustainable profitable growth linked to women in leadership: Based on the assessment of global demographic data representing 54 countries and 2400 organizations, companies with at least 30% of women across all employees, and 20% of women in senior leadership roles, reported 40% stronger sustained profitable growth than their less gender-diverse peers.

Source:

https://media.ddiworld.com/research/global-leadership-forecast-2018_ddi_tr.pdf;
<https://www.fastcompany.com/40533912/global-study-shows-gender-diversity-boosts-the-bottom-line>

Stephanie Neal, Collaboration of DDI, The Conference Board and EY

Global Leadership Forecast 2018 - Diversity Leaders: How Top Organizations are Growing Strong with Women in Leadership, pp. 34-35 (2018)

Enhanced financial results for companies with critical mass of women board members:

Among Fortune 500 companies, those with three or more women board directors in four or more of the five years measured substantially outperformed companies lacking women on their boards. This group of companies reported 84% higher return on sales, 60% higher return on invested capital and 46% higher return on equity.

Source:

<https://www.catalyst.org/research/the-bottom-line-corporate-performance-and-womens-representation-on-boards-2004-2008/>

Catalyst, **The Bottom Line: Corporate Performance and Women's Representation on Boards**

Research confirmed benefits of gender and racial diversity in seven of eight scenarios tested:

Based on the National Organizations Study (NOS) which captures data on a representative sample of U.S. employers across industries, the researcher explored eight different hypotheses predicting the value of enhanced diversity on business results. His analysis confirmed seven of the eight hypotheses, indicating gender diversity was correlated with higher profits and sales revenue as well as more customers. Racial diversity was linked with all of those measures in addition to greater market share.

Source:

<https://www.uww.edu/Documents/diversity/does%20diversity%20pay.pdf>

Does Diversity Pay?: Race, Gender, and the Business Case for Diversity,
American Sociological Review, vol. 74, no. 2, pp. 208–224 (April 2009)

Women entrepreneurs in high tech reported higher revenue per dollar of invested capital than their male colleagues:

With a focus on women entrepreneurs in high-tech, the author compiled data on women's success in founding and co-founding high-technology companies. The author reported, based on data over a five-year period, that these companies produced higher revenues per dollar of invested capital and were less likely to fail in the transition from early to growth stage.

Source:

<http://www.illuminate.com/wp-content/uploads/2010/01/High-Performance-Entrepreneurs-2012.pdf>

Cindy Padnos, Illuminate Ventures, **High Performance Entrepreneurs: Women in High-Tech**

The stock of more gender diverse companies outperformed, with less volatility, the stock of their less gender-diverse peers: Strategists at Morgan Stanley updated their study on 1600 public companies around the world, reconfirming that the shares of public companies with greater gender diversity outperformed, and experienced less volatility, than companies with less gender diversity. The researchers reported stocks that rank high on Morgan Stanley's selection model, those with high gender diversity profiles, delivered significantly better risk-adjusted returns.

Source:

<https://www.businessinsider.com/how-gender-diversity-affects-stock-market-returns-2016-10>

Business Insider, **The Trillion-Dollar Reason Why Wall Street Should Take Gender Diversity More Seriously** (October 2016)

INNOVATION

Higher revenue share from new products and services in companies with more diverse management: The Boston Consulting Group conducted research across eight countries representing over 1700 companies to explore innovation and the diversity of management teams. They found that companies with above-average diversity in management reported a greater proportion of total revenue from products and services introduced within the last three years (45%) than companies with below-average diversity.

Source:

https://image-src.bcg.com/Images/BCG-How-Diverse-Leadership-Teams-Boost-Innovation-Jan-2018_tcm9-207935.pdf

Roc`io Lorenzo, Nicole Voight, Miki Tsusaka, Katie Abouzahr, Boston Consulting Group, **How Diverse Leadership Teams Boost Innovation** (November 2018)

Gender parity supports optimal team functioning: In a study conducted by the London Business School, the researchers explored the potential effects of gender on innovation through analysis of knowledge-based teams. The teams encompassed more than 800 employees globally, working both on site and remotely, and led by a team leader. Researchers identified gender parity, with a 50/50 gender split, as optimal for team efficiency, experimentation and psychological safety.

Source:

https://www.academia.edu/729854/Innovative_Potential_Men_and_women_in_teams

Elizabeth K. Kelan, Andreas Voight, Lamia Walker, The Lehman Brothers Center for Women in Business, **Innovative Potential: Men and Women in Teams** (2007)

Expansion to critical mass of women board directors strengthened company innovation: Drawing on a sample of 317 firms in Norway, researchers sought to assess the effect of having a critical mass of women directors on corporate boards which they defined as three or more. The key finding was expanding from token representation of women board members (one or two) to a critical mass of minimally three women improved firm innovation.

Source:

<https://link.springer.com/article/10.1007/s10551-011-0815-z>

Torchia, M., Calabrò, A. & Huse, M. **Women Directors on Corporate Boards: From Tokenism to Critical Mass**, Journal of Business Ethics, pp. 299–317 (2011)

Diverse employee population coupled with managers skilled in leading diversity fosters greater innovation – Coqual (formerly the Center for Talent Innovation) studied how the combination of inherent diversity (defined as innate characteristics such as gender and race) and acquired diversity (learned skills such as cultural fluency and gender competence) influences innovation. Publicly-traded companies possessing this two-dimensional diversity, combining a diverse employee profile and skilled management, were 70% more likely to have captured a new market within the last year in comparison to companies lacking one or both dimensions.

Source:

<https://coqual.org/reports/innovation-diversity-and-market-growth/>,
http://www.talentinnovation.org/documents/InnovationDiversityMarketGrowth_PressRelease.pdf

Center for Talent Innovation [renamed Coqual] **Innovation, Diversity and Market Growth** (September 2013)

Gender diversity positively linked to major innovations: In a study published in *Innovation*, the authors analyzed levels of gender diversity in research and development teams from more than 4000 companies in Spain. The researchers reported gender diversity was positively linked to radical innovation and the presence of women on teams supported more creative and uncommon solutions.

Source:

<https://www.sciencedaily.com/releases/2014/03/140319085430.htm>
(original journal source) Cristina Díaz-García, Angela González-Moreno & Francisco Jose Sáez-Martínez, **Gender diversity within R&D teams: Its impact on radicalness of innovation**, *Innovation: Management, Policy & Practice*, vol. 15, no. 2, pp. 149-160 (2013)

SMARTER TEAMS

Researchers found the collective intelligence of teams was a key performance factor and identified greater representation of women on teams as one of three critical characteristics characterizing team effectiveness: A group of academics from multiple leading universities conducted research to explore factors distinguishing smarter from less effective teams. Nearly 700 participants, placed in small groups of up to five members, were charged with solving real-world common work tasks such as planning and analysis. The researchers reported the most effective teams shared three factors: higher representation of women, more equal participation in team discussions and stronger team-level ability to read social cues. The average intelligence of the team, calculated using individual IQs, was not a significant characteristic of the most high-performing teams while the collective team intelligence was.

Source:

<http://www.chabris.com/Woolley2010a.pdf>

<https://www.nytimes.com/2015/01/18/opinion/sunday/why-some-teams-are-smarter-than-others.html>

Anita Williams Woolley, Christopher F. Chabris, Alex Pentland, Nada Hashmi, Thomas W. Malone, **Evidence for a Collective Intelligence Factor in the Performance of Human Groups**, *Science*, pp. 686-688 (October 29, 2010)

Ethnically diverse teams more accurately priced stocks than ethnically homogenous ones: This study sought to determine the potential influence of diversity on minimizing stock market price bubbles which can have profound negative economic impacts. The scientists recruited individuals trained in business or finance in Asia and the U.S. to participate in a stock trading simulation. The results indicated that individuals placed in ethnically diverse teams were nearly 60% more likely to price stocks accurately in comparison to ethnically homogeneous teams.

Source:

<https://www.pnas.org/content/pnas/111/52/18524.full.pdf>

Sheen S. Levine, Evan P. Apfelbaum, Mark Bernard, Valerie L. Bartelt, Edward J. Zajac, David Stark, *Proceedings of the National Academy of Sciences*, **Ethnic diversity deflates price bubbles**, vol. 111, no. 52 (December 30, 2014)