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Impact of diversity and inclusion within organisations

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17 May 2017

Question

What is the available evidence on the impact of changes in levels/types of diversity and inclusion on individual/team/organisational effectiveness in organisations including development agencies?

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1. Overview

The available evidence on the impact of diversity on individual/team/organisational effectiveness in organisations is inconclusive and mixed as to its beneficial and negative outcomes. The majority of the literature seems to focus on private firms; who have reaped business benefits from equality and diversity, but not all firms, in all contexts, at all times. Knowledge about how, when, and why diversity and diversity management affects effective performance and organisational outcomes is limited.

The report aimed to focus on diversity[1] in terms of 'protected characteristics' defined in the Equality Act 2010, including: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Much of the available literature seems to focus on gender and race/ethnicity rather than the other protected characteristics.

A number of meta-analyses and systematic reviews have been carried out of the literature. They provide a number of observations about the evidence. It is difficult to define and measure diversity in a consistent way across organisations and to measure meaningful business outcomes that demonstrate a business case (Wright et al, 2014, p. iv). The systematic review carried out by Urwin et al (2013, p. 15, 19) finds that the 'evidence on workplace diversity impacts is predominantly qualitative' and/or of a case study nature. 'Evidence from case studies finds conflicting evidence of systematic business impacts of diversity from workplace studies' (Urwin et al, 2013, p. 19). There is quite a lot of anecdotal evidence of the benefits of diversity but scant tangible evidence available (Wright et al, 2014, p. 60; Urwin et al, 2013). Much of the available evidence is related to correlation, but not much evidence looks at causation (Urwin et al, 2013). Eagly (2016, p. 208) argues that 'awareness of the inconsistencies in the research literature is needed to foster the challenging and important task of uncovering the conditions under which demographic diversity has positive or negative effects'.

- **Benefits of diversity and inclusion** are found to include: reduced costs; improved resourcing of talented personnel; better products and services; enhanced corporate image; improved creativity and problem-solving; better decision making; innovation; greater flexibility; increased productivity; improved organisational performance and efficiency; enhanced trust in relationships, satisfaction and commitment within the workforce; and improved customer relations and service delivery.
- More equitable representation of women and minorities could have **benefits in terms of social justice considerations**.
- **Negative outcomes of diversity** are found to include: more absenteeism, weaker employee attachment, more conflict, poorer in-role and extra-role performance, and more discrimination, leading to higher costs and losses for the organisation.
- The **conditions** in which diverse teams operate impact on their performance. These include understanding and communication within the team; leadership, societal/cultural attitudes; and the amount of time teams have worked together.

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[1] There has been a struggle to clearly define diversity as the term can be used to describe a large number of differences between people, including surface-level diversity (demographic difference) and deep-level diversity (differences in attitudes and beliefs), as well as differences in knowledge and skills and personality differences, amongst others (Urwin et al, 2013, p. 6).

- The development of a **diversity mindset/climate for inclusion** are important for the positive effects of diversity, such as organisational commitment, intentions to stay or leave, satisfaction, engagement, trust in management, and firm effectiveness, to appear.
- Not promoting diversity and inclusion and allowing **discrimination and bias** to persist, can lead to lower organisational commitment, lower job satisfaction, higher work tension, absenteeism, high labour turnover, loss of talented employees, tribunals and the associated bad publicity.
- **Diversity management** is important in determining if diversity will bring benefits; although there is no single approach which organisations can adopt to ensure diversity is beneficial.

2. Impact of diversity and inclusion

The business case for diversity is sometimes seen as distinct from the legal and moral case as it involves factors which can improve the economic performance and competiveness of firms (Urwin et al, 2013, p. vii). The business case is often referred to in terms of managing diversity, while the moral case is often expressed in terms of Equal Opportunities, although they are hard to fully separate as equal opportunities legislation shapes the way in which diversity is managed (Urwin et al, 2013, p. 2). There are some arguments that the moral case is part of the business case (Wright et al, 2014, p. iv). In addition, research finds that the 'discourse on diversity has moved away from 'equal opportunities', and is now associated with inclusiveness, with recognising, valuing and respecting differences' (Wright et al, 2014, p. iv).

Evidence on the impact of diversity and inclusion

The evidence on the impacts of diversity and inclusion appears to be mixed and inconclusive. The evidence arises out of a 'fragmented literature where different conceptual frameworks, methods, and measures have been used, and where there are substantial methodological challenges', which explain some of the variety in findings (Urwin et al, 2013, p. vii).

Research carried out by Urwin et al (2013) examined the evidence found by carrying out a systematic review[2] of academic journals and some key practitioner sources for the business case for equality and diversity in private sector organisations[3]. The systematic review found evidence that 'firms have reaped business benefits from equality and diversity, but not all firms in all contexts at all times' (Urwin el al, 2013, p. vi). Research by Eagly (2016, p. 199) finds that despite advocates' insistence that women on boards enhance corporate performance and that gender/ethnic diversity of task groups enhances their performance, research findings are mixed, and repeated meta-analyses have yielded average correlational findings that are null or extremely small'. Mixed methods research[4] carried out by Wright et al (2014) looking at whether

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[2] An approach to the review of published evidence that is systematic, transparent, and therefore, replicable (Urwin et al, 2013, p. 1).

[3] 64 academic articles were considered to be of acceptable quality and of some relevance. They cover a variety of contexts.

[4] A review of existing empirical data on diversity, examination of quantitative data regarding the diversity of the UK and STEMM workforces, focus group discussions with individuals in STEMM occupations, and interviews with organisational representatives of employers with substantial STEMM workforces.

there is a business case for diversity in STEMM occupations (scientific, technical, engineering, mathematical and medical roles), found that the 'business case is complicated, subtle and highly contextual (p. iii). Ozbilgin et al (2014, p. 5) also note that 'the evidence for the organisational outcomes of achieving workforce diversity is mixed, demonstrating both positive and negative consequences'. They suggest this is because 'it is the effective management of diversity that enables improvements in performance'[5] (Ozbilgin et al, 2014, p. 5). Guillaume et al (2013, p. 123, 124) note that knowledge is 'limited as to the necessary conditions and the mechanisms by which diversity affects individual work performance and organisational outcomes' and very little is known about which diversity management practices are most effective in promoting positive outcomes.

Benefits of diversity and inclusion

When firms better represent the world and legislative environment around them external business benefits may arise as this helps firms address its products appropriately and sensitively to new markets (Urwin et al, 2013, p. vii). External benefits include 'reduced costs, improved resourcing of talented personnel, better products and services, and enhanced corporate image' (Wright et al, 2014, p. iv). Internal benefits arise because a diverse workforce 'which includes a range of perspectives can improve creativity and problem-solving, resulting in better decisions', innovation, and greater flexibility (Urwin et al, 2013, p. vii; Wright et al, 2014, p. iv, 28-29; Dwertmann et al, 2016, p. 1137). In addition, using data from the 1998 UK Workplace Employee Relations Survey, equal opportunities polices were found to improve productivity, especially as the share of female and ethnic minority employees in the workplace increased, with short-term negative effects in segregated workplaces (Urwin et al, 2013, p. 7). Interviewees from a study with 66 key actors in the equity and diversity field in the UK gave anecdotal evidence that diversity led to them 'recruiting and retaining the best talent; improved organisational

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[5] This idea is supported by those working in the industry, although it is not clear how these ideas are evidenced. Janakiraman (2011, p. 3), writing for Berlitz, suggests that 'organisations that practice inclusion as well as diversity are able to experience high levels of collaboration, engagement and retention which provide a competitive advantage'.

Figure 1: The relationship between diversity and inclusion
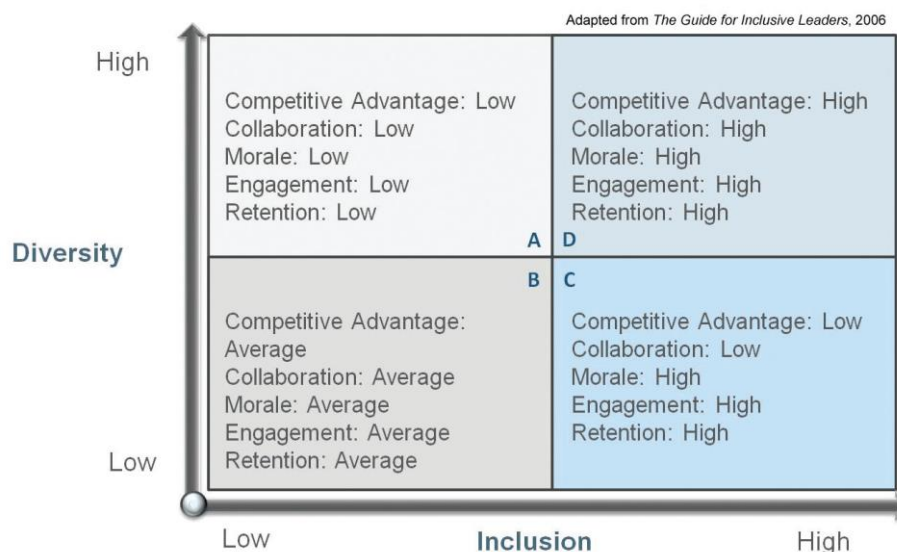
Source: Janakiraman, 2011, p. 3

performance and efficiency; increased productivity and creativity; enhanced trust relationship, satisfaction and commitment within the workforce; improved customer relations and service delivery; and positive corporate image and reputation' (Ozbilgin & Tatli, 2011, p. 1240; see also Hunt et al, 2015, p. 9). The interviews carried out by Wright et al (2014, p. 25) also emphasised that diversity, inclusion, and valuing and respecting difference were considered important in relation to attracting and keeping the best possible talent. Employees who feel more 'included' were felt to be more likely to stay (Wright et al, 2014, p. 25). Research from the field of sociology, using data from the 1996 and 1997 National Organisations Survey found that 'diversity was significantly correlated with increased sales revenue, increased customer numbers, increased market share and increased relative profits' (Urwin et al, 2013, p. 25).

There is also a body of literature and commentary from consultancy companies relating to the benefits of diversity. For example, research by McKinsey & Company, using data from 336 organisations in the United Kingdom, Canada, Latin America, and the United States, looked at the relationship between the level of diversity (defined as a greater share of women and a more mixed ethnic/racial composition in the leadership of large companies) and company financial performance (measured as average EBIT 2010–2013) (Hunt et al, 2015, p. 3). Their analysis found that companies in the top quartile of gender diversity were 15 per cent more likely to have financial returns that were above their national industry median, while companies in the top quartile of racial/ethnic diversity were 35 percent more likely to have financial returns above their national industry median (Hunt et al, 2015, p. 3). Companies in the bottom quartile for both gender and ethnicity/race lagged behind the average in terms of financial returns (Hunt et al, 2015, p. 1, 3). Effects differed by country, with UK companies benefiting more for increases in gender diversity in the senior executive team, than US companies for example (Hunt et al, 2015, p. 4). Hunt et al (2015, p. 1) acknowledge that the relationship between diversity and performance highlighted in their research is a correlation, not a causal link.

Eagly (2016, p. 201) is very critical of this literature, pointing out that the reports from advocacy and consultancy firms would not be publishable in academic journals because of the 'elementary form of their data presentations' and that 'such group comparisons do not reveal the strength of the relation between the participation of women and financial success'. Looking at the findings of meta-analyses, Eagly (2016, p. 203) concludes that 'an accurate description of this extensive empirical literature is that correlational findings relating percentages of women on corporate boards to firms' financial performance are mixed, and on the average lean very slightly in the positive direction but only for companies' accounting outcomes' and that 'these correlational findings do not reveal causation'. Eagly (2016, p. 203) also suggests that 'the boldly causal claim that including women on corporate boards improves firms' financial outcomes, lives on in communications directed to the public and business community …, most often supported by citations of the least informative studies, which are those containing only simple group comparisons'.

Gender

Some widely quoted research from consultancy firms suggests that European listed companies with greater gender diversity in top positions outperform sector averages, suggesting a possible correlation between gender diversity and firm performance, although this does not necessarily mean that diversity has had a direct causal impact on performance (Urwin et al, 2013, p. 16). Controls for firm size and other variables may negate any positive correlation between board gender diversity and financial outcomes (Eagly, 2016, p. 202). Wright et al (2014, p. 59) find a

study offering evidence that mixed gender teams can aid innovation and increased feelings of 'psychological security'. Guillaume et al (2013, p. 130) found meta-analysis research which indicates that 'gender diversity had a significant, negative effect in majority of male occupational settings, but a positive effect in gender-balanced settings'[6].

Eagly (2016, p. 212) finds that some studies have shown 'positive relations between women on boards and corporate social responsibility', although they have varied in their ability to address causal relations.

Age

There are claims, not supported by empirical evidence, that older people are an 'untapped source of labour' and their skills and experience are essential for maintaining quality (Urwin et al, 2013, p. 17). On the other hand there are also worries that older workers will "block" the recruitment and career progression opportunities for younger workers (Urwin et al, 2013, p. 17). Urwin et al (2013, p. 18) found that a small number of academic studies suggested that older workers cost more than younger workers as a result of increased absenteeism and workplace injury, although there were other benefits to employing older workers.

Ethnicity

Urwin et al (2013, p. 18) find that a review of evidence from the United States found positive correlations between board-level and workforce ethnic diversity and firm profitability. In addition, a case study of Rabobank Nederland found that they had increased their market share among ethnic minorities as a result of increasing the ethnic diversity of their work force (Urwin et al, 2013, p. 18). Another study they identified found a positive correlation between workforce ethnic diversity and productivity, in firms pursuing growth strategies (Urwin et al, 2013, p. 18). However, Wright et al (2014, p. 59) found a study which found no relation between ethnic diversity and the likelihood that firms innovate, although the authors conceded that the level of ethnic diversity in their sample may have been too low to identify an effect. Guillaume et al (2013, p. 130) also found meta-analysis research which indicates that 'racial diversity had a negative effect in majority White occupations, but a positive effect in more balanced occupations'[7]. The systematic review carried out by Urwin et al (2013, p. 18) found no studies which attempted to capture the causal impact of ethnic diversity on business outcomes.

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[6] Research by Joshi and Roh (2009, p. 607) suggests that in occupational settings dominated by a single demographic group, diverse teams may face performance losses primarily for two reasons. 'First, these teams may perform suboptimally because the work context enhances stereotyping and bias against underrepresented demographic groups that triggers social categorisation based on these attributes within the teams'; 'second, in these settings, teams with higher proportions of underrepresented group members (e.g., women or ethnic minorities) may be valued less and receive poorer performance ratings or access to resources, which is likely to impact subjective or objective performance outcomes' (Joshi & Roh, 2009, p. 607).

[7] See footnote 5 for an explanation.

Disability, religion and sexual orientation

Data limitations mean that very few workplace studies have attempted to quantify the impacts of diversity on business outcomes, when considering disability, religion and sexual orientation (Urwin et al, 2013, p. 18; Guillaume et al, 2013, p. 134).

Social justice considerations

For organisations working on issues of social justice, Eagly (2016, p. 212) concludes that 'social justice considerations provide consistent arguments for more equitable representation of women and minorities in corporate and political decision making'. Existing evidence suggests that female and minority legislators would tend to direct more resources toward supporting families and vulnerable groups such as children, disadvantaged minorities, and poor people; and women and minorities may shift corporate boards toward broader perspectives that take into account the welfare of employees, communities, and the environment (Eagly, 2016, p. 212). Wright et al (2014, p. 28) find that relating the diversity of staff to the diversity of service users was seen as a particular priority in the public sector in order to better deliver their services. Miller and Thomson (2005, p. 11) suggested that international development organisations were 'increasingly making links between an internal organisational culture that values diversity and improved programmatic effectiveness' as 'practising what they preach' is seen to increase credibility and having a more diverse staff will strengthen an organisation's understanding of local societies and broaden knowledge and professional expertise; although they offered no empirical evidence to support this.

Negative outcomes of diversity

Research indicates that sometimes diversity at work has led to less favourable work outcomes, such as more absenteeism, weaker employee attachment, more conflict, poorer in-role and extra-role performance, and more discrimination (Guillaume et al, 2013, p. 123-124). As a result, when diversity at work does not work, it may result in lower revenues due to missed business opportunities, higher costs in view of lower employee morale, and expensive lawsuits involving employment discrimination (Guillaume et al, 2013, p. 124). It is suggested that the negative effects of diversity on work outcomes may be as a result of people preferring to work with others of a similar background (Guillaume et al, 2013, p. 125).

Team and group level settings

Urwin et al (2013, p. 22) find that the studies testing the proposition that increased diversity in teams or groups leads to improved business outcomes (with a particular focus on problem-solving) are able to overcome some of the methodological limitations of research at the organisational level, as they have been carried out in situations where there is more control over environmental factors (through experimental or quasi-experimental studies). These studies have found a variety of positive, negative and mixed outcomes (Urwin et al, 2013, p. 25; van Dijk et al, 2012, p. 39-40; Guillaume et al, 2013, p. 129). Guillaume et al (2013, p. 130) find that the conditions under which work group diversity at work has a positive effect on group processes, effectiveness and innovation, as well as on individual and organisational outcomes are still unclear.

According to what van Dijk et al (2012, p. 39) describe as conventional wisdom 'demographic dimensions of diversity (e.g., age, gender, ethnicity) are primarily linked to the negative

performance effects of diversity, whereas job-related dimensions of diversity (e.g., functional background, tenure) are primarily linked to its positive performance effects'. van Dijk et al (2012, p. 40, 48) feel that this conclusion may be unjustified and suggest that 'rater biases[8] may account for differences in the relationships of demographic and job-related diversity with performance'.

In their meta-analysis[9] of 146 studies from around the world, van Dijk et al (2012, p. 44) found that demographic diversity showed a small but statistically significant negative relationship with subjectively measured performance (r = –.05). Subjective performance measures were negatively related to gender diversity (r = –.06), age diversity (r = –. 10), and racial/ethnic diversity (r = –.14); however objective performance measures were not significantly related to any of these diversity dimensions (van Dijk et al, 2012, p. 44-45). Eagly (2016, p. 206) notes that earlier narrative reviews cautioned that demographic diversity had yielded mixed and inconclusive effects. van Dijk et al (2012, p. 44) found that job related diversity (differences in knowledge and expertise) showed a small positive relationship with subjectively measured performance (r=.04). There were no such differences when performance was measured objectively (van Dijk et al, 2012, p. 44).

Positive outcomes of diversity

Studies suggested that positive outcomes of demographic diversity were found to include better quality ideas produced in ethnically diverse as opposed to ethnically homogenous groups of students in a brainstorming task; and increased creativity[10] and satisfaction[11] as a result of cultural diversity was found by a meta-analysis of 108 empirical studies (Urwin et al, 2013, p. 22). There is some evidence that under socially complex conditions, female group leaders resulted in improved communication and group cohesiveness, likely precursors to performance gains; while in a large sample of US firms, firms that focused on innovation, greater female representation in their top management teams predicted better firm performance (Eagly, 2016, p. 209).

Negative outcomes of diversity

Negative outcomes included diversity leading to process losses through task conflict and decreased social integration; as well as the acknowledgement that increased diversity can lead to lower commitment, lower satisfaction, more perceived discrimination, misunderstanding and other negative behavioural and attitudinal outcomes (Urwin et al, 2013, p. 22, 24; Wright et al, 2014, p. 59; Farndale et al, 2015, p. 680).

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[8] Subjective ratings which may be biased against demographically diverse teams and/or biased in favour of teams that are diverse on job-related characteristics (van Dijk et al, 2012, p. 50).

[9] Meta-analysis is a form of investigation that combines the findings from a number of existing empirical studies and uses statistical methods to combine them into one analysis (Urwin et al, 2013, p. 22).

[10] Multi-cultural teams' differences in experiences, mental models, modes of perception, information-processing, use a wider variety of approaches to evaluating problems and have a broader reference base of potential action–outcome linkages to draw upon to inform action which leads to more creativity (Urwin et al, 2013, p. 23).

[11] Possibly as a result of diversity satisfying individuals' needs for variety, development or adventure (Urwin et al, 2013, p. 23).

Conditions and the value of diversity

Dwertmann et al (2016, p. 1140) find that 'over 30 years of research on the group diversity to performance relationship has demonstrated that the value in diversity tends to emerge only under the right conditions'. It is not enough to get a diverse group together, 'without clear motivations, norms, and accountability structures to encourage group members to challenge each other's perspectives and persevere in their debate of multiple possible solutions, the different perspectives that may be held by diverse group members are often not shared or used or when expressed, often lead to disruptive conflict' (Dwertmann et al, 2016, p. 1140).

Wright et al (2014, p. iv, 61) found that 'effective team collaboration not only depends on the diversity of team members but on how well they understand and communicate with one another and, crucially, on how the team is organised and led'. Urwin et al (2013, p. 23) found that other studies showed that the effects of diversity in teams change overtime, with more diverse groups being initially less effective and cooperative[12], but as time went by they became more effective at identifying problems and generating solutions than less diverse work groups (see also Eagly, 2016, p. 209).

When groups are diverse on values, beliefs and attitudes, rather than knowledge, information or ideas, this 'can lead to "separation" when group members are polarised into two extreme and opposing factions' (Urwin et al, 2013, p. 23). There can also be disparity when one group member outranks all the others in seniority, wealth, power etc. (Urwin et al, 2013, p. 23). Separation and disparity 'can have detrimental effects on group cohesion, coordination and morale' (Urwin et al, 2013, p. 24). Newcomer women and minority individuals can be disadvantaged in groups composed mainly of men or the majority race/ethnicity as a result of in-group preferences, which may hamper their contributions (Eagly, 2016, p. 204-205). If women and minorities are in a group environment where they are regarded with some scepticism and marginalised in discussions and negotiations, they may find it 'difficult to engage productively in the work of the group, and any potentially valuable cognitive heterogeneity that they bring to the group can dissipate' (Eagly, 2016, p. 205). Farndale et al (2015, p. 680) suggest wider societal and cultural attitudes, for example the extent to which it equally values input from both genders, can have an impact on the performance outcomes of gender diversity.

Diversity mindset/climate for inclusion

Research suggests that valuing diversity is only a first step toward establishing conditions under which positive outcomes for group performance can manifest (Eagly, 2016, p. 210). Eagly (2016, p. 210) finds that 'positive effects of diversity appear to be dependent on group members developing a so-called diversity mindset, which encompasses knowledge about the ways in which diversity can have positive or negative effects on team processes and performances'. Other studies suggest that a climate for inclusion, where workgroups create norms that foster personal ties and the exchange of ideas across identity groups, is needed for diversity to become an asset (Eagly, 2016, p. 210). Research suggests that negative interpersonal conflicts triggered by diversity are eliminated in inclusive cultures (Dwertmann et al, 2016, p. 1159). In the absence of these conditions, majority group members often dominate discussions and fail to share their

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[12] Research on initial challenges around interracial interaction for example, shows heightened stress and anxiety compared with same-race interaction, especially for whites, which can produce process losses that lower group effectiveness (Eagly, 2016, p. 209).

leadership and decision-making power, which can 'weaken the potential contributions of diverse group members, who may in turn become discontent or discouraged and lessen their effort and cooperation' (Eagly, 2016, p. 210).

Diversity climate generally refers to 'employees' perceptions about the extent to which their organisation values diversity as evident in the organisation's formal structure, informal values, and social integration of underrepresented employees', although it has been defined in a variety of different ways in the literature (Dwertmann et al, 2016, p. 1137, 1142). The diversity climate is typically thought of as 'preventing the negative outcomes of diversity, such as stereotyping and discrimination, and facilitating positive effects by encouraging the exchange and integration of diverse information' (Dwertmann et al, 2016, p. 1137). Dwertmann et al's (2016, p. 1151) structured literature review[13] of diversity climates suggests that research into the diversity climate is dominated by an empirical emphasis on fairness and discrimination rather than efforts to leverage the potential performance benefits of diversity (what they call the synergy perspective).

Dwertmann et al (2016, p. 1153) found that individual perceptions, attitudes, and beliefs about diversity (the psychological diversity climate) are consistently associated with more favourable employee attitudes, such as organisational commitment, intentions to stay or leave, satisfaction, engagement, and trust in management. Diversity climate's positive effects were found to be stronger when reinforced by other features of the organisational environment, such as ethics climate (Dwertmann et al, 2016, p. 1154). Fewer studies looked at shared diversity climate perceptions; one of which found that 'organisational diversity is positively associated with firm effectiveness when diversity climate is high but has a U-shaped association when diversity climate is low' (Dwertmann et al, 2016, p. 1155). However issues with measurement mean it is unclear if this is the result of weakening of the negative dynamics associated with group bias as well as to the promotion of knowledge sharing or an accumulation of improved individual attitudes and behaviours (Dwertmann et al, 2016, p. 1155). Guillaume et al (2013, p. 132) also find that 'there is ample empirical evidence supporting the idea that a diversity climate or culture leads to positive work outcomes, such as higher performance, less absenteeism and more customer satisfaction' but the processes by which these effects occur is still unclear.

Costs of not promoting diversity and inclusion

Discrimination and bias, whether conscious or unconscious, is 'likely to impact negatively on the working lives of those who experience it and ultimately lead to negative impacts on performance and commitment at work' (Urwin et al, 2013, p. 4). Ozbilgin & Tatli (2011, p. 1240) found that anecdotal evidence from interviews with 66 key actors in the equity and diversity field in the UK suggested that not taking measures to promote equality and diversity could lead to high labour turnover, loss of talented employees, tribunals and the associated bad publicity (see also Wright et al, 2014, p. 27). Other research found by Urwin et al (2013, p. 7) suggests that discrimination, including perceived discrimination, can contribute to negative employee outcomes such as lower organisational commitment, lower job satisfaction, higher work tension and absenteeism. Dwertmann et al (2016, p. 1156) find research which indicates that in stores with adverse diversity climates, ethnic minorities more likely to respond to perceived injustices by engaging in self-limiting behaviours and psychologically withdrawing from their work, leading to lower sales performances. Guillaume et al (2013, p. 129) find research suggests that when diversity is

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[13] 46 final peer-reviewed articles of empirical quantitative studies were included

mismanaged it might undermine employee morale, decrease individual performance, and have a negative effect on employee well-being.

3. Impact of diversity and inclusion approaches

Management of diversity

Diversity management recognises and values heterogeneity in organisations with a view to improve organisational performance and has been more common in the private sector (Urwin et al, 2013, p. 3). An emphasis on value for money in the public sector is suggested to have led to a move towards diversity management in this sector as well (Urwin et al, 2013, p. 3).

The context in which a firm operates and how diversity is managed are crucial in determining if diversity will bring about business benefits (Urwin et al, 2013, p. vi). If diversity is poorly managed in either workplace or team settings, there is potential for increased business costs rather than benefits (Urwin et al, 2013, p. 27. There is 'no single approach that all businesses can adopt to ensure equality and diversity are beneficial', although to be effective such approaches need to be embedded in business strategy and not treated as an ad-hoc addition (Urwin et al, 2013, p. vi; Wright et al, 2014, p. 72). Due to the highly contextual nature of the potential benefits of diversity, Wright et al (2014, p. iv) warn that 'simple copying of diversity strategies utilised by other employers will not guarantee success'. Ozbilgin et al (2014, p. 5) also find that 'organisations are increasingly moving from best practices to customised practices, in recognition of the fact that diversity requirements are contingent upon a range of organisational idiosyncrasies'. There is a lack of evidence which explains *how* business benefits were realised and what has actually worked and why (Urwin et al, 2013, p. vii-viii, original emphasis; see also Guillaume et al, 2013, p. 125-126).

Urwin et al (2013, p. 27) give an example using a simulation of an organisation with MBA students which found that 'the benefits of demographic diversity are more likely to emerge in organisations that make membership salient and discourage people to emphasise individualism and distinctiveness amongst members' (Urwin et al, 2013, p. 27). Urwin el al (2013, p. 4) note that the building of an inclusive culture within firms requires a long term strategic effort. Making everybody feel valued and respected can be more challenging in more diverse workplaces because of the greater potential for micro-inequities and unconscious bias (Urwin et al, 2013, p. 4).

Farndale et al (2015, p. 682) suggest that practices which enhance involvement[14] and perceived fairness[15] help to create more inclusive, high performing teams and organisational environments. Urwin et al (2013, p. 31) also suggest that diverse workforces need to feel engaged and included in the workplace and there needs to be a 'safe' environment that facilitates knowledge sharing among a firm's diverse workforce for the benefits to be realised (see also Guillaume et al, 2013,

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[14] 'Involvement is related to creating a sense of belonging, ensuring that employees are given the opportunity to participate in decision-making, to be connected with higher positions within the firm and feel like a part of the whole' (Farndale et al, 2015, p. 682).

[15] Perceptions of fairness can enhance inclusion further by creating an environment in which employees, regardless of their nationality, age or gender, can feel that they are treated in an equal manner by HR procedures, other colleagues and managers (Farndale et al, 2015, p. 682).

p. 132). In addition, they find examples which show that 'single threaded diversity solutions, such as reliance on recruitment or requiring every employee to take diversity training, are not sufficient to create lasting change or sustainable advantage', whereas a multi-dimensional approach focusing on both systemic procedures as well as to the organisation's structural dimensions have been successful (Urwin et al, 2013, p. 33).

Urwin et al's (2013, p. 20) systematic review finds examples of evidence looking at workplace equality approaches and improved workplace performance, both implicitly and explicitly. For example a 2005 study using Irish survey data found that the relationship between equal opportunities policies in the workplace and measures of employee job satisfaction and commitment, was unambiguously strong and positive (Urwin et al, 2013, p. 20). However, when controlling for other factors, 'little evidence was found to suggest that equal opportunities in the workplace have a significant impact on either job satisfaction or commitment' (Urwin et al, 2013, p. 20).

A study using a survey of 132 companies based in Ireland found that firms that used diversity management demonstrated high levels of labour productivity, increased workforce innovation and decreased voluntary turnover (Armstrong et al, 2010, p. 987). When diversity management is combined with high performance work systems[16], this was found to explain 13.2 per cent of the variance in labour productivity, 8.8 per cent of the variation in workforce innovation, and 8 per cent of the variance in voluntary employee turnover (Armstrong et al, 2010, p. 992).

In general however, there is relatively little hard data that supports the claim that diversity and equality initiatives influence firm performance as a result of data and methodological issues (Armstrong et al, 2010, p. 978; Urwin et al, 2013, p. 21).

Most of the research supporting the idea that diversity management brings benefits to organisations and its employees in terms of increased productivity or creativity of work groups has been conducted in classroom or laboratory environments rather than real organisational setting (Urwin et al, 2013, p. 24; Wright et al, 2014, p. 58). 'Laboratory settings do not reflect the messy reality of organisational life' (Wright et al, 2014, p. 61).

Approaches focusing on gender

Wright et al (2014, p. 27) found that most diversity strategies in STEMM focused generally on gender (women). Evidence around flexible and family friendly working arrangements was found by Urwin et al (2013, p. 20) to be mixed, with some studies failing to demonstrate a business case for the use of flexible working arrangements, and others finding that small and medium sized enterprises can reap business benefits from adopting flexible working arrangements. Urwin et al (2013, p. x) give the example action taken by Eversheds LLP, an international law firm, who aimed to increase the percentage of female partners to 25 per cent by 2015 by introducing a flexible working scheme which allowed staff to agree flexible working hours on a short term basis with their managers rather than formal contractual changes. As a result partnership is now 22 per

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[16] A package or system of HR practices that includes comprehensive employee recruitment and selection procedures, compensation and performance management, extensive communication and employee involvement, and training and development (Armstrong et al, 2010, p. 978).

cent, flexible working has nearly doubled and productivity improved by 5 per cent compared to the same period the previous year (Urwin et al, 2013, p. x).

4. References

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Suggested citation

Rohwerder, B. (2017). *Diversity and inclusion within organisations.* K4D Helpdesk Report. Brighton, UK: Institute of Development Studies.

About this report

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