Nurturing Innovation through Workplace Diversity and Inclusion

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ABSTRACT

The globalization of business has created a sophisticated, complex, and competitive environment. In order to be successful, companies need to continually create new products and services. And the best way to ensure the development of new ideas is through a diverse and inclusive workforce. Today, diversity and inclusion efforts are de rigueur for almost all companies. Diversity and inclusion is a complex and nuanced topic with many factors for business and HR leaders to be aware of. Executives understand that their companies can't be successful on a global platform if they don't have a diverse and inclusive workforce. A diverse and inclusive workforce is necessary to drive innovation, foster creativity, and guide business strategies. Multiple voices lead to new ideas, new services, and new products, and encourage out-of-the box thinking. Companies no longer view diversity and inclusion efforts as separate from their other business practices, and recognize that a diverse work force can differentiate them from their competitors and can help capture new clients. Competing on the global stage presents companies with a series of challenges. In addition to the routine concerns that companies face such as managing growth, building a sound infrastructure, and keeping an eye on the bottom line, expanding overseas has its own special challenges. Laws and regulations vary from region to region, and there are language and cultural barriers that can create unanticipated problems or challenges. This is why organizations have found that the best way to ensure their continued success on a global scale is by having a diverse and inclusive workforce. This article throws light on the importance of workplace diversity and inclusion and the role that innovation plays in building a truly diverse and inclusive workplace.

Keywords: Innovation, Workplace Diversity, Inclusion, Benefits and Challenges.

1. INTRODUCTION

As innovation becomes more of a key differentiator for the world's largest companies, these organizations increasingly realize that having a diverse and inclusive workforce as critical to driving the creation and

execution of new products, services, and business processes. For executives in charge of diversity and inclusion, this is paramount to building the business case for their efforts.

Workplace Diversity

Workplace diversity refers to the variety of differences between people in an organization. That sounds simple, but diversity encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organizational function, education, background and more.

Diversity not only involves how people perceive themselves, but how they perceive others. Those perceptions affect their interactions. For a wide assortment of employees to function effectively as an organization, human resource professionals need to deal effectively with issues such as communication, adaptability and change. Diversity will increase significantly in the coming years. Successful organizations recognize the need for immediate action and are ready and willing to spend resources on managing diversity in the workplace now.

Inclusion

Inclusion is a state of being valued, respected and supported. It's about focusing on the needs of every individual and ensuring the right conditions are in place for each person to achieve his or her full potential. Inclusion should be reflected in an organization's culture, practices and relationships that are in place to support a diverse workforce. In simple terms, diversity is the mix; inclusion is getting the mix to work well together.

It matters now because there are certain realities of the new global business normal that make inclusion a competitive advantage for business. The customer base is rapidly changing, which means changing tastes and preferences. These same groups of people who the new customers need to be represented in the workforce else companies might be creating ideal solutions which are far from the needs of the its customer base thus losing out on the competitive advantage. Secondly, baby boomers will eventually leave and Gen Y will be the cohort who will inherit the opportunity to create success for organizations. Since their DNA is intrinsically collaborative and team-oriented, the old command and control management approach will not result in peak efficiency.

Objectives of the Study

The main objectives of this study are as follows:

- To examine workplace diversity & inclusion
- To analyze the importance of innovation for workplace diversity and inclusion

2. METHODOLOGY

Understanding the employee's perspective on workplace diversity and inclusion (D&I) elements is crucial for effective diversity management. To study this aspect, a survey containing 50 statements related to workplace diversity and inclusion were shared with IT professional. The study was restricted to IT organisations as they are considered as more evolved in the D&I space when compared to other industries especially in this part of the world.

The sample population consisted of 578 members of IT industry in India who responded to the survey questionnaire that include the statements pertaining to their perception on diversity and inclusion aspects in their organisation. The questions were rated using 5 point Likert scale. A factor analysis revealed seven broad factors such as Communication, Collaboration, Innovation, Collective, Manager Support, Confidence and Social responsibility. While these are not exhaustive indicators of workplace diversity and inclusion, they provide some proof points on how employees experience D&I in their workplace. The survey outcome has been examined using multiple regression analysis to find which of the workplace D&I factors has most influence.

Impact of Diversity Variables on Workplace Diversity and Inclusion

Factor analysis produced factor scores which represented the estimated values of the seven diversity variables such as Communication, Collaboration, Innovation, Collective, Manager support, Confidence and Social responsibility are used as inputs in regression analysis to identify predictors of Workplace diversity and Inclusion. The method used to predict Workplace diversity and Inclusion is multiple regression analysis.

H_0: There is no significant impact of Diversity variables on Workplace diversity and Inclusion.

H_1: There is a significant impact of Diversity variables on Workplace diversity and Inclusion.

In this study, Workplace & Diversity inclusion (Y) is dependent variable; Communication(X1), Collaboration (X2), Innovation (X3), Collective (X4), Manager support (X5) Confidence (X6) and Social responsibility (X7) are predictor variables.

Table 1
Multiple regression model for Diversity inclusion based on Diversity factors

Independent variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Statistical inference	
	B	Std. Error	Beta				F value
Constant	.743	.321		2.314	.021	R = 0.605	27.52[***]
X1	.037	.012	.167	3.144	.002[***]	R^2 = 0.455	
X2	-.001	.013	-.004	-.090	.928	Adjusted R^2 = 0.445	
X3	.087	.023	.185	3.687	.000[***]		
X4	.034	.013	.123	2.694	.007[***]		
X5	-.009	.013	-.035	-.679	.049[**]		
X6	.039	.013	.151	3.052	.002[***]		
X7	.038	.022	.065	1.738	.497		

[**]Significant at 5% level
[***]Significant at 1% level

The table shows that the combination of seven variables together contributed to 60.5% effect on Diversity and inclusion. The R^2 for the overall study on the above seven factors suggests that there is a moderate effect (45%) of these independent variables on Diversity and inclusion (dependent variable). However, based on the adjusted R square value of 0.445, the elements contribute 44.5% to dependent variable. The F value (27.52) is significant at 1% level which implies that the model is fit.

From the table 1 it is found that except collaboration and social responsibility other factors give significant impact to Diversity inclusion. It is clear that independent variable with higher level of β has higher impact on dependent variable. In this study result reveal that the variable innovation (β = 0.185, $p < 0.01$) is the most influential factor, communication (β = 0.167, $p < 0.01$) is ranked second, followed by confidence (β = 0.151, $p < 0.01$), collective (β = 0.123, $p < 0.01$) are exerted a statistically significant and positive influence on Diversity inclusion. Manager support (β = −0.035, $p < 0.05$) is also exerted a statistically significant and negative influence on Diversity inclusion The standardized coefficients Beta column, gives the coefficients of independent variables in the regression equation.

$$Y = 0.167\ X_1 - 0.004\ X_2 + 0.185X_3 + 0.123\ X_4 - 0.035X_5 + 0.151X_6 + 0.065X_7$$

The finding suggests that innovation, communication, confidence, collective and manager support factors play a significant role on Diversity inclusion.

3. DISCUSSION

The emergence of innovation as the factor of highest influence shows the importance that employees place on this key factor. While innovation is a business need as well as employee need, as uncovered in this study, it can thrive only in a truly diverse and inclusive environment. In a study by Forbes based on inputs from over 300 global leaders of enterprises with minimum USD 500 million found that majority of the leaders recognized that a diverse set of experience, background and perspective is crucial to innovation and development of ideas.

Another research on diversity and innovation studied the two aspects of diversity. They were inherited diversity i.e. the traits that one is born with and acquired diversity i.e., the traits developed through experience. When researchers correlated the market performance with that of leadership that had minimum three inherited and three acquired diversity elements, they found that companies were able to out- innovate and out perform others.

Benefits of Workplace Diversity and Inclusion

An organization's success and competitiveness depends upon its ability to embrace diversity and realize the benefits. When organizations actively assess their handling of workplace diversity issues, develop and implement diversity plans, multiple benefits are reported such as:

- **Increased adaptability:** Organizations employing a diverse workforce can supply a greater variety of solutions to problems in service, sourcing, and allocation of resources. Employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible in adapting to fluctuating markets and customer demands.

- **Broader service range:** A diverse collection of skills and experiences (e.g. languages, cultural understanding) allows a company to provide service to customers on a global basis.

- **Variety of viewpoints:** A diverse workforce that feels comfortable communicating varying points of view provides a larger pool of ideas and experiences. The organization can draw from that pool to meet business strategy needs and the needs of customers more effectively.

- **More effective execution:** Companies that encourage diversity in the workplace inspire all of their employees to perform to their highest ability. Company-wide strategies can then be executed; resulting in higher productivity, profit, and return on investment.

There are a myriad of benefits to building a diverse and inclusive workforce at every level of a company, not least of which is the need to address a looming retirement crisis by pulling in talent from historically under-tapped demographics. With the departure of The Baby Boomer Generation from workforce and Millennial Generation ascendance into leadership, are bound to be many implications on the companies' talent management strategies. Further, an inclusive workplace that understands the needs of their employees, making them feel valued and respected has a significant and positive impact on employee retention. Perhaps most importantly, research suggests companies that openly articulate values of inclusion and have a diverse workforce tend to appeal to a wider customer and supplier base.

Challenges of Diversity in the Workplace

Taking full advantage of the benefits of diversity in the workplace is not without its challenges. Some of those challenges are:

- **Communication** - Perceptual, cultural and language barriers need to be overcome for diversity programs to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork, and low morale.

- **Resistance to change** - There are always employees who will refuse to accept the fact that the social and cultural makeup of their workplace is changing. The "we've always done it this way" mentality silences new ideas and inhibits progress.

- **Implementation of diversity in the workplace policies** - This can be the overriding challenge to all diversity advocates. Armed with the results of employee assessments and research data, they must build and implement a customized strategy to maximize the effects of diversity in the workplace for their particular organization.

- **Successful Management of Diversity in the Workplace** - Diversity training alone is not sufficient for your organization's diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organization.

Creating an Inclusive and Supportive Work Environment

Once an organization has successfully modified their recruitment and hiring practices to reach a more diverse audience, the next step is to successfully engage and support them as employees. These practices are not exclusive to diversity and inclusion efforts but are considered particularly important to the successful engagement and retention of diverse talent.

- Orientation
- Employee engagement and retention
- Performance management

- Flexible work arrangements

- Interpersonal communication

- Learning & development

- The workplace culture

- Diversity training

- Mentoring

A Diverse Workforce Attracts Top Talent

In the fight for global talent, diversity and inclusion policies are being designed specifically as recruiting and retention tools, helping to broaden the pool of talent a company can recruit from, while also helping to build an employment brand that is seen as fully inclusive. "If you want to attract the best talent, you need to be reflective of the talent in that market," said Eileen Taylor, Deutsche Bank's global head of diversity.

The business case for diversity and inclusion is intrinsically linked to a company's innovation strategy. Multiple and varied voices have a wide range of experiences, and this can help generate new ideas about products and practices. Survey respondents overwhelmingly agreed that a diverse and inclusive workforce brings the different perspectives that a company needs to power its innovation strategy.

Companies take a variety of tactics to engage the kinds of diverse populations they hope to bring on board. Many organizations including AT&T and Mattel enlist their employee groups to act as company ambassadors. These groups reach out to talent by attending external job fairs, conferences, and community events. "The more they reach out to the public, the more it will help fill our talent pipeline," said Mattel's Wilson. In addition to the employee outreach efforts, companies such as Intel and Credit Suisse forge long-standing relationships with universities to tap into talent, while many others also rely on other outsourcing channels, including vendors, to reach a broad range of candidates.

Best Practices to Build on the Foundation of Diversity and Inclusion

Leadership commitment: For any diversity and inclusion initiative to succeed, the leadership commitment is essential. While diversity and inclusion is every ones responsibility in a workplace, a top down flow of the associated philosophies always makes the institutionalisation process easier and stronger. The more conscious the leaders are to the diversity and inclusion matters, the more importance it gains in the agenda of their next in line creating a cascading effect through the organization. Leaders who have successfully implemented D&I into ways of working are known to be active sponsor of the D&I agenda of the organisation, to be speaking about the D&I focus in key organizational platforms and to be dialoguing about the progress from time to time with the key stakeholders to keep this key agenda in the radar of all concerned. Such commitment goes a long way in building an inclusive environment where every one owns up the agenda and is embedded into the culture of the organisation.

Continually build pipelines of diverse talent: It should go without saying that minority groups of all kinds are by their very nature, smaller than their majority counterparts. Size constraints of varying degrees can make recruiting the right kind of talent from a given group quite the challenge. Often the biggest barrier

to building a diverse and inclusive workforce is the unfounded concern that an organization must sacrifice quality to meet a quota. The truth is that high quality, diverse talent exists but it may be harder to find.

Combating this dynamic requires advance preparation. Companies should make a point to engage with diverse talent on an ongoing basis long before the need arises to pull new people into the organization. By proactively getting to know people of varying backgrounds, business and HR leaders will be prepared to hire diverse talent with speed and confidence.

Be flexible and lead by example: Flexible work arrangements can be very beneficial to the development of a diverse and inclusive workforce. Flexibility such as work-from-home options help to alleviate the pressures of recruiting diversity candidates who may be a good fit for a role but may not be in a position to relocate. For candidates who are able to relocate, such flexibility often helps to reduce the impact of leaving behind a support system of friends and family who might otherwise step in to assist with things like child care. Flexibility provides the added benefit of aiding in the recruitment *and retention* of women at the senior level who, despite working full-time, still take on the bulk of household and child care responsibilities.

The key to making flexibility work is leading by example. It is not enough to simply put a policy in place – employees must understand and believe that taking advantage of flexible work arrangements will not reflect on them negatively. Very senior leaders should find ways to demonstrate that sometimes family considerations take precedence – and that's okay.

Empower the employee resource groups: In most diversity and inclusion conscious organizations the employee resource groups (ERG's) or the employee networks play a vital role in furthering the inclusion efforts. The ERG's ensures that the voice of the employee is heard and uses the collective thinking to redefine the workplace policies and practices in line with the needs of multi generational workplace.

With the millennial actively leading many of these ERG's they are also powerful tools to bring in the much needed fresh perspective for employee engagement. Well managed ERG do go beyond the engagement and contribute effectively in skill development, knowledge dissemination and enable innovation. Empowering the networks by providing them sufficient guidance, leadership, resources and freedom does lead to a win-win situation for both the organization and its employees.

Emphasize mentoring and coaching: Providing access to leadership and training opportunities for women, minorities, and other historically underrepresented groups at lower levels in the organization will boost efforts to craft a more diverse and inclusive senior leadership team by ensuring that diverse candidates are eligible and qualified for promotions. Mentorship programs have the added benefit of fostering inclusivity by offering employees a feeling of belonging and a safe place to discuss sensitive issues. This also creates a "chain of command" of sorts for escalating issues to senior leaders who are then enabled to keep an eye on the challenges of promoting diversity and inclusion, and can re-calibrate programs or approaches as needed.

4. CONCLUSION

Diversity and inclusion will continue to dominate the discussion in boardrooms and HR divisions across the globe as the makeup of the workforce changes significantly. In order for business and HR leaders to maintain talent continuity and broaden their appeal in various market segments, they must develop a clearer understanding of diversity and inclusion and how those concepts fit together. The benefits of building

a workforce of diverse people who are empowered to positively contribute to a company's success are numerous from better financial performance and more innovative problem-solving to easier employee retention and greater appeal to customers.

Multiple voices lead to new ideas, new services, and new products, and encourage out-of-the-box thinking. Today, companies no longer view diversity and inclusion efforts as separate from their other business practices, and recognize that a diverse workforce can differentiate them from their competitors by attracting top talent and capturing new clients. And while diversity and inclusion efforts at companies are a given, organizations still face external and internal challenges in implementing these policies and procedures. Internally, companies are still struggling with negative attitudes about diversity among their rank-and-file, while externally, a rocky economic recovery has impeded many companies' hiring efforts. Looking forward, companies must also grapple with an aging workforce, a declining pipeline of qualified talent, and the challenges of managing a multigenerational workforce but as long as organizations can keep their "eye on the prize," that is, to keep diversity and inclusion efforts at the top of their priority list, it will position them to weather these challenges and come out ahead of the competition.

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