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OCIP Research

Workplace diversity is among the most important predictors of a business' sales revenue, customer numbers and profitability, according to research to be published in the April issue of the *American Sociological Review*.

In one of only a few studies to empirically examine the implications of organizational diversity, sociologist Cedric Herring found that a workforce comprised of employees of both genders and varying racial backgrounds resulted in positive business outcomes.

"Although previous research on diversity in the workforce has suggested diversity's negative impact on group dynamics and communication, this study makes the case for diversity in clear financial terms," said Herring, the interim head of the sociology department at the University of Illinois at Chicago and a professor of sociology and public policy at the University of Illinois' Institute of Government and Public Affairs.

Herring found that companies reporting the highest levels of racial diversity brought in nearly 15 times more sales revenue on average than those with the lowest levels of racial diversity. Gender diversity accounted for a difference of $599.1 million in average sales revenue: organizations with the lowest rates of gender diversity had average sales revenues of $45.2 million, compared with averages of $644.3 million for businesses with the most gender diversity.

For every percentage increase in the rate of racial or gender diversity up to the rate represented in the relevant population, there was an increase in sales revenues of approximately 9 and 3 percent, respectively. Herring found racial diversity to be a better determinant of sales revenue and customer numbers than company size, the company's age and the number of employees at any given work location.

Companies with a more diverse workforce consistently reported higher customer numbers than those organizations with less diversity among staff. In terms of racial diversity, companies with the highest rates reported an average of 35,000 customers compared to 22,700 average customers among those companies with the lowest rates of racial diversity. The difference is even larger for gender diversity rates. That is, companies with the highest levels of gender diversity reported an average of 15,000 more customers than organizations with the lowest levels of gender diversity. Herring also found that the smallest incremental increase in levels of racial or gender diversity resulted in more than 400 and 200 additional customers, respectively.

Although a corporate workforce's gender composition did not have a significant impact on a company's relative market share, Herring found that racial diversity was among the most important predictors of a company's competitive positioning relative to other firms in its industry.

According to the research, as racial and gender diversity levels increased in a company's workforce, its profits relative to those of its competitors also increased.

Herring analyzed data from the National Organizations Survey (NOS), reviewing a subset of 506 United States-based for-profit businesses that provided information about workforce diversity, sales revenue, customer numbers, market share and profitability between 1996 and 1997. The NOS contains information from a sample of the 15 million organizations in Dun and Bradstreet's Information Services' data file.

Herring's work in the April issue of the American Sociological Review is accompanied by two other studies relevant to race in the workplace; one is on equal employment opportunity and the other examines race discrimination lawsuits. On the topic of equal employment opportunity, sociologist C. Elizabeth Hirsh of Cornell University analyzed the direct impact of discrimination charges on workplace segregation, as well as indirect pressures presented by legal and organizational environments. She found that companies do not desegregate in the wake of sexual discrimination charges filed directly against them, but they do respond to Equal Employment Opportunity enforcement in their industries and in the broader legal environment.

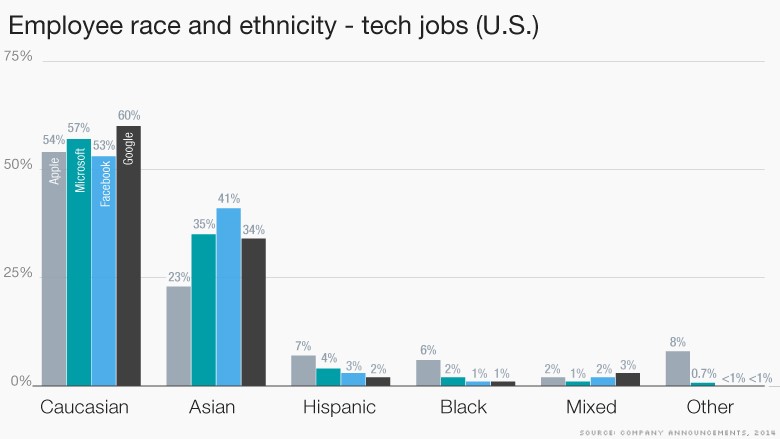
Hirsh's findings also suggest that organizational factors are more pivotal to race desegregation than legal intervention. For example, larger companies and those with more females in management were found more likely to promote workplace integration. Hirsh concludes that by making an example of employers found in violation of the law, Equal Employment Opportunity enforcement creates a legal environment that encourages policy compliance among other employers.

Race discrimination lawsuits increase access to managerial jobs for African Americans, according to research from sociologist Sheryl Skaggs of the University of Texas at Dallas. Skaggs examined data on the supermarket industry from 1983 to 1998 and found that African Americans were more likely to enter management in the year following a lawsuit filing against a particular supermarket. Importantly, the initial increase in African American managers resulting from a lawsuit filing was shown to produce long-term benefits by bringing representation up to the industry average. Legal pressures from federal courts were also important. When circuit courts were made up predominantly of white males, they were less likely to create a legal climate signaling intolerance of workplace racial discrimination.

<http://www.sciencedaily.com/releases/2009/03/090331091252.htm>

"Diversity Linked To Increased Sales Revenue And Profits, More Customers." ScienceDaily. ScienceDaily, n.d. Web. 05 Oct. 2015.

Silicon Valley's plan to be more diverse



A year later, here's what some of the biggest tech companies are doing to become more diverse.

Apple([**AAPL**](http://money.cnn.com/quote/quote.html?symb=AAPL&source=story_quote_link),[**Tech30**](http://money.cnn.com/technology/tech30/index.html?iid=EL)): Apple has said it willdonate [$50 million](http://fortune.com/2015/03/10/apple-50-million-diversity/) to organizations that will help women and minorities get into tech jobs. The investment will take the form of scholarships, college training programs, and paid internships. The company is partnering with historically black colleges and universities (HBCUs), as well as the National Center for Women and Information Technology.

Before this year's WWDC, Tim Cook also told Mashable he is [convinced the industry can become more diverse](http://money.cnn.com/2015/06/08/technology/tim-cook-women-apple/index.html?iid=EL). "Most of the issues have been created by humans, so they can be fixed," Cook said.

eBay([**EBAY**](http://money.cnn.com/quote/quote.html?symb=EBAY&source=story_quote_link),[**Tech30**](http://money.cnn.com/technology/tech30/index.html?iid=EL)):The online auction company recently added [two more women](http://money.cnn.com/2015/03/26/investing/ebay-diversity-female-minority-directors/index.html?iid=EL)to its board of 17 directors: Bonnie Hammer, chair of NBC Universal Cable Entertainment, and Gail McGovern, American Red Cross CEO. Before Hammer and McGovern joined, eBay had just one woman on its board -- Kathleen Mitic, a startup veteran.

Google([**GOOGL**](http://money.cnn.com/quote/quote.html?symb=GOOGL&source=story_quote_link),[**Tech30**](http://money.cnn.com/technology/tech30/index.html?iid=EL)):Google told CNNMoney it plans to spend [$150 million](http://money.cnn.com/2015/05/06/technology/google-diversity-plan/?iid=EL) on a combination of internal and external diversity efforts. Half will go toward outside organizations and communities focused on attracting and keeping women and minorities in technology. The other half will be used inside the company to make Google more inclusive. In 2014, the company invested $114 million in diversity programs.

Silicon Valley's plan to be more diverse. (n.d.).

<http://money.cnn.com/2015/06/19/technology/tech-diversity-roundup/>

# The Top 10 Economic Facts of Diversity in the Workplace

1. A diverse workforce drives economic growth. Our nation’s human capital substantially grows as more women, racial and ethnic minorities, and gay and transgender individuals enter the workforce. A [McKinsey & Company](http://www.mckinsey.com/client_service/organization/latest_thinking/unlocking_the_full_potential.aspx) study, for example, found that the increase in women’s overall share of labor in the United States—women went from holding 37 percent of all jobs to 47 percent over the past 40 years—has accounted for about a quarter of current GDP.

2. A diverse workforce can capture a greater share of the consumer market. By bringing together individuals from different backgrounds and experiences, businesses can more effectively market to consumers from different racial and ethnic backgrounds, women, and consumers who are gay or transgender. It is no surprise, then, that studies show diversifying the workplace helps businesses increase their market share.

3. Recruiting from a diverse pool of candidates means a more qualified workforce. When companies recruit from a diverse set of potential employees, they are more likely to hire the best and the brightest in the labor market. In an increasingly competitive economy where talent is crucial to improving the bottom line, pooling from the largest and most diverse set of candidates is increasingly necessary to succeed in the market.

4. A diverse and inclusive workforce helps businesses avoid employee turnover costs. Businesses that fail to foster inclusive workplaces see [higher turnover rates](http://cdn.americanprogress.org/wp-content/uploads/issues/2012/03/pdf/lgbt_biz_discrimination_infographic.pdf) than businesses that value a diverse workforce because they foster a hostile work environment that forces employees to leave. The failure to retain qualified employees results in avoidable turnover-related costs at the expense of a company’s profits. Having a diverse and discrimination-free work environment helps businesses avoid these costs.

5. Diversity fosters a more creative and innovative workforce.Bringing together workers with different qualifications, backgrounds, and experiences are all key to effective problem-solving on the job. Similarly, diversity breeds creativity and innovation. Of 321 large global enterprises—companies with at least $500 million in annual revenue—surveyed in a [Forbes study](http://www.huffingtonpost.ca/2011/07/29/workplace-diversity-innovation_n_913214.html) in 2011, 85 percent agreed or strongly agreed that diversity is crucial to fostering innovation in the workplace.

6. Businesses need to adapt to our changing nation to be competitive in the economic market.Census data tell us that by 2050 there will be [no racial or ethnic majority](http://cdn.americanprogress.org/wp-content/uploads/issues/2011/10/pdf/progress_2050.pdf) in our country. Further, between 2000 and 2050 new immigrants and their children will account for[83 percent](http://cdn.americanprogress.org/wp-content/uploads/issues/2011/10/pdf/progress_2050.pdf) of the growth in the working-age population. Our economy will grow and benefit from these changing demographics if businesses commit to meeting the needs of diverse communities as workers and consumers.

7.Diversity is a key aspect of entrepreneurialism.Our nation’s entrepreneurs are a diverse set of people of color, women, gay, and transgender individuals. According to the Census Bureau, people of color own [22.1 percent](http://quickfacts.census.gov/qfd/states/00000.html) of U.S. businesses. Moreover, women own [28.8 percent](http://quickfacts.census.gov/qfd/states/00000.html) of U.S. businesses, and Latina-owned businesses in particular are the fastest-growing segment of the women-owned business market. According to the National Gay and Lesbian Chamber of Commerce, gay or transgender individuals own approximately [1.4 million](http://www.nglcc.org/about/overview) (or approximately 5 percent) of U.S. businesses.

8. Diversity in business ownership, particularly among women of color, is key to moving our economy forward. The diversity of our nation’s business owners helps boost employment and grow our economy. For example, women of color own [1.9 million](http://www.womensbusinessresearchcenter.org/research/keyfacts/) firms. These businesses generate $165 billion in revenue annually and employ 1.2 million people. Latina-owned businesses in particular have total receipts of [$55.7 billion since 2002](http://www.nwbc.gov/facts/hispanic-women-owned-businesses).

9. Diversity in the workplace is necessary to create a competitive economy in a globalized world.As communities continue to grow, it’s important to harness the talent of all Americans. Businesses should continue to capitalize on the growth of women, people of color, and gay and transgender people in the labor force. Our increasing diversity is a great opportunity for the United States to become more competitive in the global economy by capitalizing on the unique talents and contributions that diverse communities bring to the table.

10.Diversity in the boardroom is needed to leverage a company’s full potential.By 2050 there will be no racial or ethnic majority in the United States, and our nation’s boardrooms need to represent these changing demographics. Currently people of color and women only represent about [14.5 percent](http://www.menendez.senate.gov/imo/media/doc/CorporateDiversityReport2.pdf) and [18 percent](http://www.menendez.senate.gov/imo/media/doc/CorporateDiversityReport2.pdf), respectively, of corporate boards among the senior management of Fortune 500 companies. Recruiting board directors with a breadth of expertise and varied experiences will make companies more proficient.

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A Diverse Workforce Is Integral to a Strong Economy. (n.d.).

<https://www.americanprogress.org/issues/labor/news/2012/07/12/11900/the-top-10-economic-facts-of-diversity-in-the-workplace/>

# Business Advantages of Diversity in the Workplace

The United States Office of Employment predicts that 29 percent of the U.S. labor force will be comprised of minorities by 2008. More importantly, it estimates that from 1998 to 2008 some 41 percent of the people entering the U.S. workforce will be minorities.

Among the advantages of diversity in the workplace are: increased creativity, increased productivity, new attitudes, new language skills, global understanding, new processes, and new solutions to difficult problems.

1. Creativity increases when people with different ways of solving difficult problems work together towards a common solution. There is no one best answer to any question--the more ideas you can obtain from different people, the more likely you are to develop a workable answer. Other cultures can offer insightful alternatives Americans might not have considered. This is a tremendous advantage of diversity in the workplace.

2. Productivity increases exponentially when peopleof all cultures pull together towards a single inspiring goal. Foreign executives are extremely successful in the American corporate world because of globalization and internationalization. People from China and India benefit U.S. firms with their stellar quantitative skills. And European citizens--Swiss, Germans, British, and French--do well here in high-level jobs. Increased productivity is an obvious advantage of diversity in the workplace.

3. New attitudes are brought to the business table by people from diverse cultures. For instance, Americans may want to consider adopting the perspective other cultures have about time. Our culture believes that “time is money” and “getting to the bottom line” is paramount in business. However, in most other countries around the world “time is for building relationships” and an integral part of getting to know the other party you are considering doing business with before starting a transaction. How much of an advantage would workplace diversity be if we followed this practice more closely?

4. Language skills are obviously needed in today’s increasingly global economy--and diverse workers often have this proficiency. If a company needs specific knowledge or language skills, it may hire foreign nationals for help. In some markets, international job seekers have the advantage. For example, companies breaking into European, Asian or Latin American markets will need foreign expertise. High-tech firms in particular are expanding into countries abroad. In the United States, we like to believe that English is “the language of the world.” While that may be true for business, our native tongue ranks second in the world behind Chinese and just slightly ahead of Hindustani. To truly build relationships with the other people of the world, we must speak their language. It is a tremendous advantage of workplace diversity if we enable people from other cultures can help us understand not just their words, but also the meaning behind what they are saying.

5. Understanding how the United States fits into the world picture is crucial. By relating to people of all backgrounds, Americans will gain a greater perspective on how different cultures operate and experience greater success in global business as a result.The average American believes that this country’s residents account for about 25 percent of the world’s population. People from outside our borders are not surprised to learn that the figure is actually less than five percent.

6. New processes can result when people with different ideas come together and collaborate. In today’s fast-moving world, there is no longer room for thinking, “We have always done things this way and cannot change.” American workers must bring multiple skills to the environment, think cross culturally, and adapt quickly to new situations. Those who meet these criteria are likely to do well, regardless of culture--even in tough economic times.

Workplace diversity can make American companies more productive and profitable. They also bring differences that we must understand and embrace for those benefits to be realized.

Business Advantages of Diversity in the Workplace. (n.d.).

<http://www.ethnoconnect.com/articles/9-business-advantages-of-diversity-in-the-work-place>