MANAGING DIVERSITY: STILL A BIG CHALLENGE

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August got even hotter than usual when a male software engineer at Google circulated a 10-page manifesto on gender disparities. James Damore argued that the disparities between men and women in tech and leadership roles were rooted in biology, not bias, and criticised the search giant's diversity initiatives. Originally earmarked for internal debate, the piece went viral, prompting Google CEO Sundar Pichai to cut his holiday short, fire Damore and issue a statement affirming the company's commitment to diversity and inclusion in workforce. The incident followed Google's highly publicised goal of becoming a more diverse workplace. It shows that diversity management is not an easy task – in fact, it's one that can easily backfire.

Google is a successful business story, built and maintained by quite a homogenous group of Stanford-educated engineers. And quite recently its leaders seemed to realize that without embracing diversity, the company's ability to grow might be impeded. Tech companies in general have been particularly slow to hire women and minorities for senior-level positions. According to report by law firm Fenwick & West LLP, women hold only 14 per cent of executive positions in Silicon Valley, even though many tech leaders tout the need to increase diversity for both business and social reasons.

Why companies need diversity in the workplace?
The idea behind workplace diversity is quite simple: As a business becomes more globalised, complex and competitive, its workforce should reflect the diversity of the marketplace. If your top managers are all of the same gender and ethnicity, and share the same social and educational background, it's quite likely they will struggle to understand the preferences of clients who come from different environments.

We know intuitively that the solution to the increasing complexity of today's world is to embrace in management many different types of people, who stand for different things and represent different cultures, generations, ideas and ways of thinking. Moreover, anecdotal evidence from companies like IBM and Intel suggests that diversity contributes to innovation, and increases companies' competitive advantage over their more homogenous peers. And now a growing body of studies proves that diversity is a good business decision.

Diversity – a driver of financial growth
Research by McKinsey consultants on 366 public companies in North America, Latin America and the UK found that those in the top quartile for gender or racial and ethnic diversity were 35 per cent more likely to have financial returns above their industry mean, and those in the top quartile for gender diversity were 15 per cent more likely to have returns above the industry mean. By contrast, the less diverse companies were, the lower their returns.

Diversity also helps increase market share. A study by the Center for Talent Innovation, a think-thank, showed that 48 per cent of companies with more diverse senior management improved their market share year-on-year, as compared to 33 per cent of firms with less diverse management. Finally, a lack of diversity efforts has a negative impact on talent retention. A survey by consulting firm Deloitte found that about 75 per cent of senior managers would consider leaving their current jobs for more diverse and inclusive organizations. Building on these findings, last year Thomson Reuters launched its Diversity and Inclusion Index, which ranks the publicly traded companies with the most inclusive workplaces. This shows that diversity also matters for financial investors, who are looking for ways to measure the social responsibility of the companies whose shares they buy.

Why diversity initiatives fail?
Even though diversity seems like an inevitable reality of the new workforce, it continues to be a challenge, as the Google incident showed. Companies have spent billions on diversity programmes so why many initiatives have proved ineffective?

The first reason is that they often are superficial: Many diversity and inclusion initiatives are developed to comply with corporate governance and corporate social responsibility policies. As such they are tactical inclusion initiatives disconnected from broader, more substantial, and general training programmes.

Another reason may be that some of the tools applied to increase diversity are simply counterproductive. According to a recent study by sociologists Frank Dobbin and Alexandra Kalev, widely used mandatory diversity training, designed to help employees overcome biases and prevent discriminatory behaviour, could backfire because managers and employees rebel against strict workplace rules and regulations.

How to approach diversity efforts in your company?
According to the data analysed by Dobbin and Kalev, programmes that engage managers in promoting diversity rather than trying to control them. And firms can engage managers in a myriad of ways. To name just a few: They can send them on special recruitment visits to professional events for women and minorities; use current managers to train a diverse pool of future leaders; initiate mentoring programs; appoint a diversity taskforce that brings together managers of different units and allows them to come up with solutions.

The good news is that companies can minimise the damage of well-intentioned but counterproductive measures such mandatory training simply by making them voluntary. Workplace diversity is still a challenge, but keeping a close eye on the latest research is helping smart companies find ways to meet it.