Impact of Diversity and Inclusion on Workplace Effectiveness

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ABSTRACT

In the current scenario, managing diversity and inclusion in the workplace has become the priority to survive the competition. In line with the popular perception of diversity and inclusion, this review paper explores how it may augment workplace effectiveness in terms of higher productivity, a culture of creativity and innovation, and overall financial performance. This study also provides insights into organizations' challenges when implementing diversity and inclusion initiatives. The article clearly emphasizes the need for comprehensive Diversity and Inclusion programme in any organization to retain a decisive edge over the competitors.

KEYWORDS: Diversity, Inclusiveness, Workplace, Organizational Effectiveness

INTRODUCTION

Diversity and inclusion are two interconnected concepts—but they are far from interchangeable. Diversity is about representation or the make-up of an entity. Inclusion is

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about how well the contributions, presence, and perspectives of different groups of people are valued and integrated into an environment." — Matt Bush, Culture Coaching Lead at Great Place to Work

Diversity and Inclusion are more than just buzzwords. They are becoming far more essential for a healthier working environment. Making them a priority invariably augments organizational effectiveness. Less inclusive organizations generally lack a culture of creativity and innovation. On the contrary, organizations with robust diversity and inclusion programs are ahead of their competitors. Diversity refers to differences that exist between different people in terms of their race, religion, sexual orientation, nationality, language etc. Inclusion means making people, who are in the minority, feel valued, respected, and treated equally. The organizations must adopt and implement Diversity and Inclusion programmes to attract and retain talented people irrespective of gender, caste, creed, skin colour or sexual orientation. The diversity and Inclusion framework seeks to treat people fairly, ensuring everyone gets equal opportunities in the world of work and the community.

SIGNIFICANCE OF DIVERSITY AND INCLUSION AT WORKSPLACE

Diversity and inclusion program in any organization results in augmented employee engagement, improved employee performance, enriched talent acquisition, a supplemented culture of innovation, bettered decision-making, and an upbeat organizational reputation. Hence, each point has been elaborated as under:

- **Augmented Employee Engagement:** Embracing and celebrating diversity within a company can increase employee commitment and a stronger sense of belonging. Feeling valued and acknowledged for their unique experiences and perspectives can enhance job satisfaction and overall engagement. It's crucial for organizations to not only strive for diversity but also foster an inclusive environment that recognizes and accommodates individual differences. By prioritizing employee belonging through diversity and inclusion efforts, companies can improve employee retention rates and create a more sustainable workforce.

- **Improved Employee Performance:** When employees feel included as an essential part of the company, they feel more inclined to perform their best. And so, it is not surprising that their intensity of performance is dramatically enhanced so is the quality of the

outputs. It has been observed that companies with good diversity strategy experience have about a 56% increase in job performance. In comparison, a single exclusion incident can lead to a 25% decrease in an individual's performance on a team project (McKinsey, 2020).

- **Enriched Talent Acquisition**: Embracing Diversity and Inclusion programmes in the workplace broadens the candidates' options to more diverse choices. But has it ever been realized how it also attracts more talent? When the company opens its doors to all kinds of candidates, it defines how it is viewed. According to research by Glassdoor, 76% of people consider D&I in the workplace a significant factor while evaluating a job offer or looking for new career opportunities (Glassdoor, 2021).

- **Supplemented Culture of Innovation:** A diverse workplace innovates more. Diversity is crucial for the success of any organization, as it brings a variety of perspectives and ideas to the table. People from different backgrounds can offer unique insights and innovative solutions that may not have been considered otherwise. Collaborating with diverse worldviews and skill sets fosters creativity and leads to more significant innovation. Research supports this notion. According to a study by GrowthForce, companies with above-average diversity had 19% higher innovation revenues. Prioritizing diversity and inclusion (D&I), initiatives is essential for organizations to remain effective and adaptable in rapidly changing industries. To be a thought leader in the industry, investing in D&I initiatives is crucial for success.

- **Bettered Decision-making:** Inclusion involves actively seeking out diverse voices in decision-making processes, which can lead to better outcomes by bringing in new perspectives and ways of thinking. Embracing diversity expands the pool of ideas and approaches and fosters an environment of respect and collaboration. Inclusive decision-making has been shown to offer a competitive advantage to businesses, as it allows for more informed and innovative solutions to complex challenges. Organizations can improve their decision-making processes by prioritizing diversity and inclusivity and driving long-term success.

- **Upbeat Organizational Reputation:** D&I initiatives significantly impact how an organization is perceived by various stakeholders, including employees, shareholders, customers, and the public. Prospective and current clients are likelier to engage with organizations that demonstrate a genuine commitment to these initiatives. Such

organizations send a powerful message that they value diversity and inclusion. Moreover, cultivating a diverse workforce helps organizations expand their reach to a broader audience and better comprehend the needs of their clients.

Figure 1: Top Ten Benefits of Workplace Diversity (Source: https://www.talentlyft.com/en/blog/article/246/how-to-build-manage-and-promote-workplace-diversity**)**

LITERATURE REVIEW

Studies reveal that since 2021 and beyond, companies have devoted more attention and resources to promoting Diversity and Inclusion (D&I) programmes. Unfortunately, many organizations still struggle to measure the impact of their strategies and communicate that impact to a growing number of stakeholders. More than 1,600 CEOs have signed onto the CEO Action for Diversity & Inclusion Pledge, and 40% of companies discussed diversity and inclusion in their Q2 2020 earnings calls versus only 4% the same quarter a year earlier. According to Gartner research, the number of HR leaders identifying D&I efforts as a top

priority was 1.8 times higher in 2020 than in 2019. Gartner analysis reveals an almost 800% increase in job postings for dedicated diversity recruiters (Romansky et al. 2021)

As the importance of diversity in the organizational context has increased, most organizations would like to research diversity–organizational culture linkage, its effect on diversity openness, and between diversity and performance at individual and organizational levels. Patrick (2010) found that diversity determines not only the results of the diversity within an organization but also the level of openness to dissimilarity characteristics among the organization's members, work groups, and culture. Despite the technological wonders of today's communication, international relations require us to deal with one another person-to-person. For this to be effective, one has to overcome language and stereotype barriers. This may require the mental elimination of terms like alien and the individual's perception as having a different background (Moran, Harris, & Moran, 2011).

There is robust empirical confirmation that successful diversity management and improved organizational performance are positively correlated (Ozbilgin and Tatli, 2008). However, a consistent finding is that differences should be sought in moderation. Group members' ability to elaborate diverse information may also develop over time as members become more familiar with each other's perspectives and develop transactive memory. This suggests that, especially for various work groups, it is essential that they can reach more extended tenure and that they are allowed a more extended start-up phase than more homogeneous groups (Knippenberg et al. 2004). (Patrick and Raj Kumar 2012).

The ability of individuals to influence the decision-making process and effectively contribute their mite to the organization depends on the extent to which they can access information and resources and are involved in work groups. "Inclusion" is also defined as fulfilling needs for belongingness and uniqueness. According to Optimal Distinctiveness Theory, employees' needs of belongingness and uniqueness must be met to feel included. Further, to feel included, the unique characteristic of an employee must be valued within a group; more importantly, though, this uniqueness the person brings to the group must be allowed and encouraged to remain. Inclusive culture exists in the workplace when an organizational environment enables people with multiple backgrounds, mindsets, and ways of thinking to

work effectively together and to perform to their highest potential to achieve organizational objectives based on sound principles (https://www.gritandflow.com). The organizations have started coming forward to safeguard the interests of LGBTQ+ to create a holistic and inclusive workplace across the globe.

ROADBLOCKS IN THE WAY OF DIVERSITY AND INCLUSION

A foundation of personal growth must be present to engage in meaningful professional growth. Individuals lacking in this foundation may pose a significant obstacle to successful DE&I training because only some employees are in the same space concerning their personal growth and emotional intelligence. Every person is shaped to some degree by their upbringing, whether cultural, religious, societal, or combinations of all or more influences. Implicit biases and prejudices harboured within are carried forward to the workplace. Individuals who do not possess a mature level of emotional intelligence may engage in acts that can be interpreted as racist or sexist without realizing the impact of their actions on other individuals.

As such, some organizations may need to move forward in the DE&I space at a fundamental level. A starting point would include examining the root causes of racism as a threshold foundation. A look back in history reveals the scourge of slavery and its impact on society over centuries and how the burden has plagued our nation, along with the guilt of those actions weighing heavily on our collective conscience. Superiority ideologies passed down from generation to generation are at the base in the formation of racial prejudice. Without exposure to diversity and the plight of people of colour in society in general and in the workplace, individuals cannot gain the pertinent information or develop the necessary empathy to address and remedy such issues (Baum, 2021).

STRATEGIC IMPERATIVES FOR PROMOTING DIVERSITY AND INCLUSION

Cox and Lancefield 2021) underlined five strategic imperatives for promoting diversity and inclusion in organizations viz.

- CEOs as Champions of D&I efforts
- Integrating D&I efforts in corporate strategy

- Fixing accountability of top leaders and managers in successful implementation of D&I programmes
- Mitigating implicit bias at the systemic level
- Pivoting from diversity training to leadership development coaching

Figure 2 provides a holistic view of an inclusive environment at workplace based on multiple factors such as trust, common purpose/meaningful work, cultural competence, appreciation of individual attributes, equitable reward and recognition, access to opportunity, sense of belonging and respect.

Figure 2: Inclusive Environment at Work (Source: https://www.aihr.com/wp-content/uploads/inclusive-enviroment-at-work.png)

Furthermore, Society for HRM has prepared a comprehensive checklist for inclusivity that the organizations must heed to foster a robust D&I programme (https://www.shrm.org/hr-today/news/hr-magazine/0418/pages/6-steps-for-building-an-inclusive-workplace.aspx):

- Make sure company leaders understand that inclusion is about ensuring that everyone's voice is heard, opinions are considered and value to the team is evident.
- Train managers—and hold them accountable—to show that inclusivity is a core competency.
- Form an inclusion council with genuine influence and power.
- Value differences and create an environment where people can feel comfortable bringing their "full selves" to work.
- Identify underrepresented groups' needs and give them necessary support and resources.
- Provide workers with a safe space to voice their concerns.
- Benchmark key aspects of your organization's culture—and understand the employee experience—before making changes to promote inclusivity.
- Remember that daily interactions are the most telling sign of whether or not your company has an inclusive culture.

According to Cox and Lancefield (2021), 'There's widespread agreement on the need to improve diversity and inclusion in the workplace. But it's not easy to deliver on the promises made. It's time to adopt a more systematic, coherent approach. By following these five strategies, leaders can make more progress and create a more representative, fair, and high-performing workforce'.

CONCLUSION

The study focused on identifying workplace diversity and inclusion barriers and strategies to increase inclusiveness and awareness. Discrimination, prejudice, and ethnocentrism were identified as the most significant barriers to accepting workplace diversity, along with blaming the victim, stereotypes, harassment, and backlash. The preferred strategies for increasing inclusiveness included learning about cultural differences and business practices in overseas assignments, encouraging employees to accept these assignments, and providing language training. The study recommended admitting biases and prejudices, recognizing, and valuing

fundamental differences, and dispelling myths about diverse individuals in a group setting with friends or colleagues to reduce prejudices and stereotypes. By implementing these strategies, organizations can foster a more inclusive workplace culture that values and respects all employees.

In today's global market, organizations that embrace diversity among their employees are better equipped to understand and meet the needs of a diverse range of customers. A recent study in the IT industry has revealed that while most employees are open to diversity, a few are enthusiastic and have fully embraced the positive benefits of a diverse workplace. To foster inclusiveness, organizations implement strategies such as cross-cultural training, encouraging overseas assignments, and offering language training. Discrimination, prejudice, and ethnocentrism remain barriers to workplace diversity despite progress. Organizations must take deliberate steps to manage diversity and leverage the potential of their employees for competitive advantage.

Leadership at all levels must genuinely commit to promoting diversity, equity, and inclusion to create a workplace culture that fully embraces these values. While there may be a long road ahead, continuing the conversation and taking action to effect positive change is imperative. There is vast scope for further study of the factors affecting diversity and inclusion in the workplace. Diversity management practices can be compared between industries, and their impact on employee productivity and job satisfaction can be studied. There is also vast scope for studies of perceptions of workplace diversity in different ethnic groups, religion-based groups, and marginalized groups.

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