Building and Benefiting from a Diverse and Inclusive Workforce

To excel in today’s global economy, organizations must attract and retain a diverse and inclusive workforce that sparks new questions, challenges old practices and offers innovative ways of collaborating that fuel outperformance.
Executive Summary

Workforce diversity offers obvious business benefits, including in-house access to a varied range of skills, perspectives and experiences that deepen your company’s talent pool. It creates an attractive market presence that reflects your organization’s commitment to acquiring, developing and retaining top talent from every possible source. But for companies striving to be consistently and reliably innovative, diversity is also critical for bottom-line success, as a diverse employee base is essential to sustaining innovation and outperforming current and future competitors.

Diversity, as we think about it, incorporates a wide variety of perspectives that are not just generational, gender and ethnic in nature but also professional and personal. It can signify a range of skills and experiences, as well as ways of thinking and problem-solving. As such, we believe diversity delivers broader access to game-changing ideas, methods and interests. Consistent innovation and high performance require a blend of individuals trained in various disciplines or spheres of knowledge and, importantly, possessing a wide range of real-world experiences.
The Role of Diversity in Sustainable Innovation

Rarely does a new product or service concept spring fully formed from the mind and capabilities of one individual. In fact, a diverse and inclusive workforce is crucial to encouraging different perspectives and ideas that drive innovation, according to 85% of 321 executives recently surveyed who are responsible for diversity or inclusion in large enterprises.\(^1\) In an ultra-competitive business environment, organizations cannot fail to acknowledge the power of a diverse workforce to challenge old practices, bring access to new talent networks and drive exceptional performance.

A new study by the Center for Talent Innovation (CTI) concludes that serial innovation — the kind that drives and sustains growth — is highly correlated with two types of diversity: inherent diversity (the traits you were born with and have been conditioned by, such as gender, ethnicity and sexual orientation) and acquired diversity\(^2\) (the influence of your experiences and what you've learned on your behavior).\(^3\) The cross-fertilization of diverse people can work as a catalyst for new ideas. In fact, employees in companies with both types of diversity (also called two-dimensional diversity) are 75% more likely to have a marketable idea implemented (see Figure 1).\(^4\) Unfortunately, CTI has also found that 78% of employees work in companies that lack two-dimensional diversity.

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Even if your organization lacks two-dimensional diversity attributes, it can still benefit from a more diverse environment. A recent McKinsey & Co. report illustrates the impact of greater gender diversity on corporate performance. Examining 89 publicly held European companies with capitalization of over €150 million, McKinsey found that organizations with greater gender diversity outperformed in their sectors on three critical dimensions: return on equity (11.4% vs. an average 10.3%), operating results (EBIT 11.1% vs. 5.8%) and stock price growth (64% vs. 47%) from 2005-2007.

There are many other valid business reasons to build a diverse organization, but giving your company the vitality necessary for consistent and reliable innovation is one of the best. In an ultra-competitive environment — in which it is increasingly difficult to even identify the next challenger on the horizon — businesses cannot fail to acknowledge the power of a diverse workforce to spark new questions, challenge old practices, offer faster, technologically-informed ways to respond to competition, access new talent networks and drive exceptional performance. What most companies need now is a plan that produces the kind of diversity they need to thrive.
Diversity, Innovation and Market Growth

Diverse teams drive innovation

Employees at companies with 2-D diversity are 75% more likely to have a marketable idea implemented.

- Share credit for team success.
- Make it safe to risk proposing novel ideas.
- Ensure everyone gets heard.
- Give actionable feedback.
- Take advice and implement feedback.
- Empower decision-making by team members.

22% of employees work for companies with two-dimensional diversity.

78% of employees work for companies without two-dimensional diversity.

Diverse leaders unlock innovation

Employees in publicly traded organizations with 2-D diversity are:

- 70% more likely to see their organization capture a new market than employees in publicly-traded organizations without 2-D diversity.

- 45% more likely to see their organization improve market share than employees in publicly traded organizations without 2-D diversity.


Note: CTI report data conclusions are based on a nationally representative survey of 1,800 professionals, 40 case studies and numerous focus groups and interviews.

Figure 1
Making Diversity Actionable: Three Concrete Steps

Here are three specific actions your company can take to leverage diversity and inclusion in productive and innovative ways:

1. Understand and eliminate organizational biases, educate senior leadership and extend organizational maturity.
2. Create opportunities for connections that facilitate collaboration.
3. Redefine and clarify the rules of engagement.

These actions can empower your organization to capitalize on the wide variety of employee ideas and perspectives, providing the impetus to respond more rapidly and creatively to key business opportunities.

Understand and Eliminate Organizational Biases, Educate Senior Leadership and Extend Organizational Maturity

Recognizing the existence of corporate biases is the first step in eliminating them. And getting rid of biases is the first step in building stronger and more mature leadership that values each and every contributing member of the organization. This organizational philosophy conveys the belief that all associates are capable of making choices that best fit their work preferences, within the context of the business's requirements and goals. Organizations that operate this way have abandoned the outdated notion that the manager is best able to balance employee needs; instead, they believe that individuals will make win-win choices for themselves and the business when entrusted with this responsibility.

Leaders who model inclusive behavior understand that their own views have been shaped by personal experience, and this self-awareness encourages employees to share their own ideas. Employees with inclusive-minded managers are also far more likely to appreciate their teams, freely express their views and opinions and feel more confident that their ideas are heard and recognized.

Beyond eliminating the negatives, companies can strengthen diversity by moving from a one-size-fits-all approach to one that recognizes each individual in the workforce as unique. From a practical standpoint, accepting others' views is as simple as "counting to 10" — having the presence of mind to withhold snap judgments and initiate a conversation about why someone holds a specific opinion or has come to a particular conclusion rather than dismiss it outright. That type of exchange sends the message that no individual's perspective is automatically "right" and frees leaders to hear and evaluate multiple points of view without bias.
Training and active practice can play an important role in enabling the creation of a productive, diverse team. For example, when Dow Chemical felt it had exhausted traditional arguments for diversity, based on business case-type thinking, it introduced in 2012 “unconscious-bias” training. The idea was to help employees be more aware of their unacknowledged biases and, because of that awareness, take different actions than they otherwise would.

Other behaviors that leaders should model include:

- Giving equal time to everyone and encouraging quieter people to contribute.
- Empowering team members to make decisions.
- Enabling the right kind of risk-taking.
- Ensuring that each team member receives constructive and supportive feedback.
- Sharing credit for team success.

When leaders demonstrate these five behaviors, employees are 3.5 times more likely to reach their full innovative potential.

Simply having a diverse workforce isn’t enough. Leaders must also ensure that diverse individuals interact with one another, across time and geography.

Creating mature, unbiased relationships between employers and employees encourages a range of individuals to engage and contribute, in part by leveling the playing field and democratizing the workplace.

Create the Opportunities for Connection that Facilitate Collaboration

Simply having a diverse workforce isn’t enough. Leaders must also ensure that diverse individuals interact with one another, across time and geography. Relationships facilitate the flow of information and ideas. The paths for connection must make it easy for anyone to discover exactly the people to help them contribute their talent, skill and experience to achieve key strategic goals. We suggest making significant and thoughtful investments in programs, processes and technologies (think social, mobile, analytics and cloud, or the SMAC Stack™) that facilitate collaboration. Several approaches are possible:

- **Events that provide opportunities for people to meet.** These might include lunch one-on-ones with senior leaders, group leaders or new product development managers. One excellent way to get new employees into the flow of the organization is to make sure they meet not only folks on their own team but also several people in other departments with whom they will likely have to work.
- **SMAC technology that allows workgroups to communicate easily.** Knowledge-sharing platforms, such as Cognizant’s Cognizant 2.0, enable employees worldwide to connect with one another about both work and personal activities, via SMAC technologies (see sidebar, page 9). Cognizant associates – two-thirds of whom are millennials – not only can share tips on IT and business process best
practices and artifacts, but they can also broadcast where they are having dinner or the latest cultural events they have attended or wish to experience. The intent of Cognizant 2.0 is for employees to bring their whole selves to work.

- **Education that strengthens people’s ability to resolve conflict and hold meaningful conversations.** Many companies are finding significant returns from training in core skills, such as asking good questions and active listening. Starbucks employees, for instance, undergo rigorous training in how to recognize and respond to customer needs. They learn about what the company calls the “Latte Method” of responding to unpleasant situations: Listen to customers, acknowledge their complaints, take action by solving the problem, thank them and then explain why the problem occurred.

- **Physical architecture that provides informal space for colleagues to congregate.** It is widely acknowledged that much of the tacit knowledge shared and received happens informally, and open spaces can facilitate that. To that end, P&G invests in common space for designers vs. private workspace and finds it drives internal connections. And instead of traditional offices, Steelcase creates “we” spaces around the business’s three or four most important meta issues. For instance, these spaces might be allocated to teams working on a merger, product launch or recall. Doing so promotes eye-to-eye contact, provides everyone with equal access to information and allows people to move around and participate freely, the company says.

- **Organizational structures that create units of a size that permit people to know each other, understand the whole and negate the need for excessive control.** Bill Gore, founder of W. L. Gore & Associates, a privately held high-tech firm well-known for its high-performance GORE-TEX® fabrics, decided that each of the company’s plants should hold a limited number of associates. The thinking at Gore is that the company would see diminishing returns — and quality — when teams got too big, while smaller teams would imbue a healthy synergy. As a result, employees feel free to develop their own ideas and see them through. The company continues to build plants as it expands; in and around Delaware in the eastern U.S., there are 18 plants within a 30-mile radius.

- **Include opportunities for employees to meet face-to-face.** For activities that require innovation, face-to-face sessions are critical. In a survey by Crowne Plaza Hotels, which included more than 2,000 respondents in the UK, U.S., United Arab Emirates, China and India, 81% of business professionals said face-to-face meetings are better for building long-term trust and ensuring strong client relationships.

### Redefine and Clarify the Rules of Engagement

In a workplace that is rich with diverse individuals, it is important to establish ground rules to avoid the conflicts and misunderstandings that might arise from inevitable behavioral and perception differences. Organizations need to surface the differences and establish clear and effective group norms. Companies should acknowledge the validity of various views, ask employees to share perspectives on how things might be done, and then agree on ground rules for use in their particular circumstance.

Areas for discussion in any group are likely to include:

- **How individuals view time and place.** Older employees began their careers when work was equated with time spent in the office. In contrast, younger workers tend to view work as something you do anywhere and at any time, making the rigidity of set work hours seem like a throwback to another era. In your particular
Quick Take

Innovating in a SMAC World

Businesses are moving rapidly to embrace the SMAC Stack, to enable more fluid and collaborative ways of working. SMAC offers the ability to innovate and solve problems virtually. Problem-solvers could toil relatively anonymously, as with a micro-tasking market like Amazon’s Mechanical Turk.¹³

In fact, SMAC technologies help businesses create “Code Halos” or the digital fingerprints formed when people, processes organizations and objects create data through their networked activities, such as social media sharing and expressing preferences on Web sites.¹⁴ Businesses that embrace Code Halo™ thinking by collecting, sharing and distilling meaning from the code that encircles their human resources, are better positioned to see and act on diversity and inclusiveness challenges before they arise. By unleashing the SMAC Stack to ignite, enrich and extend Code Halos, organizations can start to leverage the vast pool of knowledge resident in their employee base worldwide and facilitate increased real-time collaboration.

Creating a global operating backbone is key to solving business problems and delivering on the opportunities that globalization offers. Expanding the diversity profile of your organization is the place to start reaping the benefits.
circumstances, does it matter whether people are working in the office, at home or somewhere else? Does everybody have to work the same hours to accomplish their tasks?

- **How colleagues communicate.** Some are accustomed to brief texts, while others may be uncomfortable with digital communication and even feel offended by a lack of face-to-face interaction. What method of communication will your group use and for what purpose? What response time is expected under which circumstance?

- **How we sync up and organize.** Older employees typically are planners and schedulers, while many younger colleagues are coordinators. Neither approach is perfect for every situation. What requires a plan and schedule? What can be coordinated in real time?

To the extent possible, make these and other ground rules situation-specific. Rather than pronouncing one view as right or wrong, conclude that in this situation, for this purpose, the group will follow this specified course of action. Although seemingly innocuous, these small misunderstandings can interfere with genuine, effective collaboration.

**Advance Your Organization’s Diversity Maturity**

Set clear goals for your company’s diversity and inclusion program this year. Begin by assessing your progress over the past decade and establish the next level of organizational maturity you plan to achieve going forward. Organizations committed to increasing the diversity of their workforce tend to go through stages, with distinctive focus and programs in each.

**Stage One: Intent**

You must want to attract and retain a more diverse population. In this stage, companies move from a homogeneous group of employees, typically defined in terms of race and gender, to a more heterogeneous talent pool (see sidebars, next page).

If you are in this stage, two initiatives take priority. The first is recruiting. Companies must look for new channels of talent – new universities, perhaps, in new locations or communities of talent they have not previously recognized, such as organizations serving specific, under-represented communities of engineers. They may engage new recruiting specialists and re-shape key messages to appeal to a new audience.

Diversity played a critical role in the successful integration of Cognizant’s recently acquired U.S.-based Center of Excellence in Financial Services, which requires back-office business process skills that were not previously available within the broader corporation. Gaining the new skills through an acquisition was in many ways the easy part – the hard work came in bridging cultures and embracing a common view on workstyle. Both the diversity of new perspectives and the inclusiveness required to recognize the legitimacy of different views were critical to the success of the new venture.

The second initiative is to build awareness. This is an educational activity; companies may recruit diverse workers but fall into the trap of assuming that individuals from different backgrounds have the same preferences and expectations as the majority group.
**Quick Take**

**Veterans: An Often Forgotten Community**

Military veterans bring to the table a wealth of experiences that are highly valuable to many organizations. It’s not just that they may have fought in wars, served in the army or been in public service. Rather, they have learned to respond to unexpected challenges, and planned and executed responses in teams that encompass individuals from widely diverse backgrounds.

The experience of persevering and succeeding in this challenge - involving, in many cases, literally putting their lives on the line - is irreplaceable, and organizations can benefit from their experiences.

**Quick Take**

**IDEO Hires for Diversity**

When it hires, world-famous design firm IDEO specifically seeks people with broad backgrounds and varied interests. To continue innovating and creating, the company needs people who are curious about life and about how things work (as opposed to people who are recognized as “experts”).

IDEO designers work in teams, each of which can include people who fit into one of 10 clearly described “organizational personas”:

- Learning Personas (including anthropologists, experimenters and cross-pollinators).
- Organizing Personas (including hurdlers, collaborators and directors).
- Building Personas (including experience architects, set designers, caregivers and storytellers).

Tom Kelley, a partner at IDEO and brother of founder David Kelley, explains, “We’ve found that adopting one or more of the roles can help teams express a different point of view and create a broader range of innovative solutions. ...The appeal of the personas is that they work ... IDEO has battle-tested them thousands of times in a real-world laboratory for innovation.”

Stage Two: Engagement and Retention

Here, diversity initiatives should focus on engagement and retention of diverse populations within the organization. Individuals from diverse backgrounds are likely to have a wide variety of preferences and expectations for work and will require additional support to develop productive careers.

In this stage, customization-based programs take priority. Many companies assign mentors or special counselors to help with integration and career development. Some create specialized career tracks, perhaps to supplement specific skills or provide exposure to key parts of the organization. Companies must add the important goal of inclusion to the priorities — creating an environment in which a wide range of individuals feel comfortable and grounded and see clear paths to personal and professional success.

Employee business resource groups (EBRGs) are one way that many corporations engage diverse employee populations. BNY Mellon’s IMPACT group is designed to foster the inclusion and leadership development of multicultural employees. Its activities involve every aspect of employees’ career growth, from recruitment and retention, to professional development and advancement.

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Stage Three: Legitimizing Differences

At this stage, companies appreciate the “rightness” of multiple positions and acknowledge the legitimacy and benefit of individuals’ differing values, views and behaviors. This requires moving far past political correctness – beyond the goals of simply not offending or harassing those with diverse perspectives – to acknowledging that the existence of differences is vital to arriving at a full appreciation of an issue and its possible outcomes. And that only becomes possible through thoughtful education that emphasizes the underlying logic and value of individual views.

Looking Forward

The starting point for the journey toward greater acceptance of – and capitalization on – diversity is different for every organization. The continuum will range from making incremental progress to, ultimately, transforming the people and work processes.

As you plot your organization’s journey, consider the maturity of your current diversity profile. Do you need to add people with new perspectives to the mix, or are you at a point where your greatest opportunity lies in leveraging your company’s current diverse insights in powerful ways? Wherever you find yourself, the practical tips we’ve offered form a menu from which to assemble a plan that enables your organization to realize the next level of diversity and inclusion benefits. Consider ways
to develop a community of connected, switched-on employees who can strengthen the opportunities for collaboration and redefine the rules of engagement. Move beyond having diversity, to using it for innovation success.

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Winning companies make diversity and inclusion a key ingredient of their operating strategy. By embracing Code Halo thinking, they anticipate challenges before they become issues. Moreover, gender-diverse companies innovate more effectively and, per the McKinsey report, tend to post superior financial results across a variety of dimensions compared with their peers. While McKinsey’s findings do not demonstrate a causal link between diversity and performance, they do provide a factual snapshot that can only argue in favor of greater gender diversity, according to the consultancy.¹

Companies that embed diversity and inclusion into their very cores avail themselves of a rich tapestry of employee, customer and partner insights, regardless of creed, color, gender, socioeconomic demographic and sexual preference. Such diversity of perspective is critical to translating collaboration and innovation from buzzword status to successful execution. History will show that the companies that get this right are the ones that will dominate the future of work.

Footnotes
2 The Center for Talent Innovation is a New York-based nonprofit think tank whose flagship project — the Task Force for Talent Innovation — helps organizations leverage their talent across the divides of gender, generation, geography and culture. For more information, see http://www.talentinnovation.org/.
9 Ibid
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About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 171,400 employees as of December 31, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

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