

Workplace Diversity and Inclusion as a Sustainability Imperative

Riddle: A boy and his father are involved in a car accident in which his father dies. The boy is taken to the hospital where he is rushed into the operating theatre. Upon viewing the boy, the surgeon exclaimed, "I can't operate on this boy; he is my son!". Who is the surgeon?

If you struggled to answer this question and did not consider that the surgeon could be the boy's mother, you are not alone.

In a study conducted by researchers Mikaela Wapman and Deborah Belle at Boston University in 2014, 86% of the study participants, including several self-described feminists, overlooked the possibility that the surgeon could be a woman.

Why was it so difficult to consider that surgeon was a woman?

The answer to this second question lies in the psychological phenomena known as Schemas. Schemas are generalisations used to simplify and explain complexity around us. Schemas do not necessarily reflect our personal values but are deeply rooted ways of thinking, usually ingrained from childhood. They perpetuate the existence of stereotypes related to identities such as gender, race, ethnicity, class, nationality, physical disabilities, and sexual orientation, to name a few.

Why do schemas matter to an organisation?

Schemas can lead to social categorisations that foster biases in expectations, evaluations and eventually overt behaviours towards groups or individuals deemed to be outside of the group norms. In organisations with a high degree of homogeneity or predominance of one social group, social categorisations and the formation of 'in-groups' can lead to one group attaining positive social norms, while others deemed to be outsiders are negatively stigmatised.

Over time, 'out-group' individuals may develop alternative work personas to hide their true social identities to fit in. This practice can have negative psychological consequences leading to lower individual and group performance, mental health issues among 'out-group' members, higher employee turnover, and reduced ability to attract and retain diverse talent. All of this erodes the value of a firm in the long term.

Why should businesses care about diversity and inclusion, and reducing workplace stigma?

Firms that embrace workplace diversity and inclusion stand to benefit in several ways:

1) Diversity as a source of creativity and innovation

Firms that embrace diversity view it as an important ingredient for building a corporate culture that encourages innovation and high performance. Scott Page, a professor at the Ross School of Business at the University of Michigan describes this as the 'diversity bonus'.

2) Diversity helps improve financial performance

In a global study of more than 1,000 companies in 15 countries, McKinsey & Company found that firms in the top quartile of gender diversity were 15% more likely to have financial returns above their national industry median. It also found that companies in the top quartile for ethnic diversity were 35% more likely to have financial returns above the national industry median.

3) Diverse and inclusive organisations are better at attracting and retaining talent

Companies with higher levels of gender diversity and accompanying policies and practices are linked to lower levels of employee turnover, especially among women. Women are more likely to express interest in working for an organisation when it is perceived that women are treated equally and are highly represented in top management positions. Organisations with strong 'diversity climates'

DIVERSITY 'BONUSES': GENDER DIVERSITY LEADS TO FINANCIAL GROWTH



Each **1%** increase in the rate of gender diversity resulted in an approximately **3%** increase in sales revenues, up to the rate represented in the relevant population.

Source: American Sociological Association



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Companies in the top quartile for ethnic diversity were **35% more likely** to have financial returns **above** national industry media.

Source: McKinsey & Company

Page S.E. (2019) The diversity bonus: *How great teams pay off in the knowledge economy*. Princeton University Press

Post C., & Byron K. (2015) Women on boards and firm financial performance: A meta-analysis. *Academy of Management Journal*, 58 (5), 1546-1571

Van Dijk, H. Can Engen, M.L. & Van Knippenberg, D. (2012) Defying conventional wisdom: A meta-analytical examination of the difference between demographic and job-related diversity relationships with performance. *Organisational Behaviour and Human Decision Processes*, 119, 35-53.

stand to benefit from improved job satisfaction, stronger employee commitment and lower employee absenteeism.

4) Improved brand, reputation, and governance

According to the International Labour Organization (2019), firms with inclusive business cultures and practices are 57.8% more likely to improve their reputations. Additionally, firms with mixed-gender boards have been found to have fewer instances of fraud, and are associated with effective risk management, and better levels of engagement among board members resulting in improved decision-making.

Where to begin with diversity and inclusion?

Here are some tips to get started on a workplace diversity and inclusion journey:

1) Make diversity and inclusion part of leadership conversations

Making diversity and inclusion part of leadership conversations is a good place to start. Leaders should use data on a firm's diversity performance to broach the subject. Creating safe spaces (sometimes anonymous) for staff to share their experiences is important. This can provide a gauge for leadership to assess the extent of its diversity and inclusion challenge.

2) Review hiring and recruitment policies and procedures

According to Toni Harrison Managing partner and President of multicultural PR & marketing agency TEN35: "We cannot unlearn implicit bias immediately, but we can do a better job with how we assess applications, perhaps even moving towards anonymous applications and gauging interest solely on a person's résumé and supplemental materials before learning their name." In the absence of diversity and inclusion laws and regulations, a firm might also consider adopting voluntary diversity and inclusion quotas in its recruitment to improve areas it may deem deficient.

3) Establish mentorship programmes to grow diversity

Mentorship provides an opportunity for organisations to grow diversity. Diverse mentors and mentees often report that the mentorship experience often helps break down barriers between social groups and generations.

4) Include diversity and inclusion in training and development

According to Kia Roberts, Founder and Principal of Triangle Investigations: "A key step for improving diversity and inclusion training is to recognise that generalised, one-size-fits-all solutions for diversity and inclusion training are highly ineffective." Instead, Roberts advocates for identifying trending diversity and inclusion concerns within the workplace, and tailor the training so that it addresses issues in an engaging and informative way.

Bringing it all together

In an age of sustainable development, in which business is expected to be more open, honest, and transparent about its impacts on people and the environment, diversity and inclusion are increasingly becoming an area of key stakeholder concern.

Understanding and acknowledging underlying psychological processes that drive social schemas and biases among individuals and within firms is a key first step to crafting meaningful change.

Implementing policies and practices to improve diversity and inclusion can help firms recruit and retain talent, improve collaboration, drive results in complex problem solving, improve board governance, and enhance the brand and reputation of the firm.



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