IDEA WATCH

How Diversity Can Drive Innovation

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Most managers accept that employees benefit from a diverse workforce, but the notion can be hard to prove or quantify, especially when it comes to measuring how diversity affects a firm’s ability to innovate.

But new research provides compelling evidence that diversity unlocks innovation and drives market growth—a finding that should intensify efforts to ensure that executive ranks both embody and embrace the power of differences.

In this research, which rests on a nationally representative survey of 1,800 professionals, 40 case studies, and numerous focus groups and interviews, we scrutinized two kinds of diversity: inherent and acquired. Inherent diversity involves traits you are born with, such as gender, ethnicity, and sexual orientation. Acquired diversity involves traits you gain from experience: working in another country can help you appreciate cultural differences, for example, while selling to female consumers can give you gender smarts. We refer to companies whose leaders exhibit at least three inherent and three acquired diversity traits as having two-dimensional diversity.

By correlating diversity in leadership with market outcomes as reported by respondents, we learned that companies with 2-D diversity out-innovate and outperform others. Employees at these companies are 45% likelier to report that their firm’s market share grew over the previous year and 70% likelier to report that the firm captured a new market.

Inherent diversity, however, is only half of the equation. Leaders also need acquired diversity to establish a culture in which all employees feel free to contribute ideas. Six behaviors, we have found, unlock innovation across the board: ensuring that everyone is heard; making it safe to propose novel ideas; giving team members decision-making authority; sharing credit for success; giving actionable feedback; and implementing feedback from the team. Leaders who give diverse voices equal airtime are nearly twice as likely as others to unleash value-driving insights, and employees in a “speak up” culture are 3.5 times as likely to contribute their full innovative potential.

These findings constitute a powerful new dimension of the business case for diversity.

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