Maximizing the Gains and Minimizing the Pains of Diversity: A Policy Perspective

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Abstract

Empirical evidence reveals that diversity—heterogeneity in race, culture, gender, etc.—has material benefits for organizations, communities, and nations. However, because diversity can also incite detrimental forms of conflict and resentment, its benefits are not always realized. Drawing on research from multiple disciplines, this article offers recommendations for how best to harness the benefits of diversity. First, we highlight how two forms of diversity—the diversity present in groups, communities, and nations, and the diversity acquired by individuals through their personal experiences (e.g., living abroad)—enable effective decision making, innovation, and economic growth by promoting deeper information processing and complex thinking. Second, we identify methods to remove barriers that limit the amount of diversity and opportunity in organizations. Third, we describe practices, including inclusive multiculturalism and perspective taking, that can help manage diversity without engendering resistance. Finally, we propose a number of policies that can maximize the gains and minimize the pains of diversity.

Keywords
decision making, diversity, economic growth, innovation, transparency

Diversity—heterogeneity in race, ethnicity, gender, cultural background, sexual orientation, and other attributes—is a key ingredient of flourishing societies. Promoting diversity is not just a moral issue, but also a practical one; empirical evidence reveals that diversity has numerous benefits for organizations, communities, and nations (Herring, 2009). Indeed, the success of the United States, a nation founded and sustained by immigrants, has been driven, in part, by its considerable diversity.

Diversity increases creativity and innovation, promotes higher quality decisions, and enhances economic growth because it spurs deeper information processing and complex thinking. This complex thinking allows diverse groups to respond more effectively to dynamic contexts and unforeseen challenges (Page, 2007). Interacting with people from different backgrounds, however, can also be a source of discomfort, mistrust, resentment, and conflict (Montalvo & Reynal-Querol, 2005; Putnam, 2007).

Consequently, the benefits of diversity are often not fully realized. In this article, we draw on empirical evidence from multiple disciplines to detail how diversity, when managed effectively, can have material benefits for all members of a society.

The Benefits of Diversity: Innovation, Higher Quality Decisions, and Economic Growth

We highlight the benefits of two forms of diversity: the diversity present in groups, communities, and nations, and the diversity acquired through individuals’ personal experiences.
experiences (e.g., living abroad, exposure to other subcultures).

**Benefits of diversity in groups/communities/nations**

Homogeneous groups run the risk of narrow-mindedness and groupthink (i.e., premature consensus) through misplaced comfort and overconfidence. Diverse groups, in contrast, are often more innovative and make better decisions, in both cooperative and competitive contexts. Even countries produce more national achievements after opening their borders to foreign influences through travel and immigration (Simonton, 1997). These innovation and decision-making benefits happen for two reasons. First, diverse groups have access to a greater variety of perspectives. Second, both majority and minority individuals in diverse groups consider more information and process that information more deeply and accurately (Apfelbaum, Phillips, & Richeson, 2014; Crisp & Turner, 2011; Phillips & Loyd, 2006). For instance, experimental evidence shows that ethnically diverse juries consider more perspectives and make fewer inaccurate or simplistic judgments than homogeneous juries (Sommers, 2006). In addition, people who anticipate joining ethnically or politically diverse groups process the information that will be discussed in the group more thoroughly (Loyd, Wang, Phillips, & Lount, 2013; Sommers, Warp, & Mahoney, 2008) and write more complexly about postdiscussion summaries (Antonio et al., 2004). These findings suggest that decision-making groups benefit from diverse composition via enhanced information processing.

Social network analyses point to the economic benefits of diversity. Telephone calling patterns reveal that social network diversity (i.e., interacting with people from different geographic regions) is associated with greater economic prosperity of a community (Eagle, Macy, & Claxton, 2010). Similarly, correlational evidence indicates that U.S. cities with a greater share of foreign-born inhabitants are more successful economically (Ottaviano & Peri, 2006). Even in competitive trading markets, diversity promotes careful, unbiased judgments that prevent price bubbles; market-level accuracy in pricing assets increases in ethnically diverse markets but decreases in homogeneous ones (Levine et al., 2014).

Notably, increased diversity often yields material benefits for both minority and majority group members. For instance, U.S.-born citizens living in U.S cities where the percentage of immigrants grew from 1970 to 1990 saw their own wages increase (Ottaviano & Peri, 2006). In addition, since introducing the H1-B visa program, which allows U.S. employers to hire highly skilled foreign workers for specialty occupations, the number of H1-B workers in specific geographic areas predicts greater wage growth for U.S.-born workers in those areas (relative to the national average; Immigration Policy Center, 2014). Similarly, providing women with more economic and political opportunities is associated with greater innovation at both cross-national and cross-state levels (Martin, Mishra, Swaab, & Galinsky, 2015), and providing women with more economic and political opportunities in a country positively predicts the number of Olympic medals that country’s female and male athletes win (Bai, Uhlmann, & Berdahl, 2015; Berdahl, Uhlmann, & Bai, 2015).

Diversity is especially vital when policies and decisions affect a population that itself is diverse. For example, demographic diversity within the public sector workforce is related to policy outcomes that better integrate the interests of all of its citizens (Bradbury & Kellough, 2008). Similarly, a diverse judiciary produces a broader and more comprehensive understanding of fairness and justice (Smith, 1994). One implication of these findings is that legal systems likely produce higher quality decisions when the representatives of the law (e.g., police officers, judges, jurors, and lawyers) resemble those appearing before the court; similar implications follow for the representatives of educational systems (e.g., teachers, principals), financial institutions (e.g., bankers, mortgage brokers), and governments (e.g., elected officials).

**Benefits of diverse personal experiences**

Diversity is not only important among groups, communities, and nations; individuals also benefit from personal experiences with diversity. Diverse personal experiences, such as living or working abroad, are associated with greater creativity (Lee, Therriault, & Linderoth, 2012; Leung, Maddux, Galinsky, & Chiu, 2008; Maddux & Galinsky, 2009). Creative directors of major fashion houses, visual artists, scientists, and managers who have worked abroad produce more creative fashion collections (Godart, Maddux, Shipilov, & Galinsky, 2015), more valuable artwork (Hellmanzik, 2013), more highly cited scientific articles (Franzoni, Scellato, & Stephan, 2014), and more entrepreneurial activity (Tadmor, Galinsky, & Maddux, 2012). Similarly, bicultural individuals (e.g., people with parents from two different countries) display more creativity (Benet-Martinez, Lee, & Leu, 2006), deeper information processing (Tadmor et al., 2012), greater perspective taking (Gutierrez & Sameroff, 1990), and less interethnic tension (Buriel, Perez, Terri, Chavez, & Moran, 1998). Integrating experiences across multiple countries increases generalized trust (Cao, Galinsky, & Maddux, 2014)—a key factor in economic growth and civic engagement (Uslaner & Brown, 2005; Zak & Knack, 2015).
Increasing Diversity and Opportunity by Promoting Transparency

Diversity helps individuals, groups, and nations produce better decisions, more innovation, and greater economic growth. The amount of diversity, however, is often limited by structural factors and psychological forces that produce bias—even when that bias is unintentional. Policies can be implemented to increase diversity by promoting equity of treatment in organizations.

The amount of diversity in organizations is affected by recruitment, selection, and promotion procedures. The first stage, recruitment, is critical because underrepresented individuals often forgo opportunities with organizations they deem unwelcoming. For example, the language used in recruiting documents affects application rates: Masculine language in job advertisements (e.g., dominant, competitive) lowers the appeal of these jobs for women, not because women feel they lack the skills but because they feel they do not belong (Gaucher, Friesen, & Kay, 2011). At the selection stage, it is vital that unbiased hiring criteria are established in advance to prevent those criteria from being used selectively to benefit some groups over others (Uhlmann & Cohen, 2005). Finally, bias can creep in again at the promotion and compensation stage; establishing criteria in advance is critical here, too. Procedures that create accountability reduce the pay gap for women, ethnic minorities, and non-U.S.-born employees (Castilla, 2015). Similarly, monitoring and formal mentoring programs increase the promotion rates of Black and White women (Kalev, Dobbin, & Kelly, 2006).

The foundational principle that cuts across these mechanisms for decreasing bias is transparency. Monitoring and public reporting of hiring practices and salary rates creates accountability and decreases bias. Regular reviews of hiring, mentoring, and promotion criteria help ensure that they are fair and equitable, as even seemingly unbiased selection criteria can produce disparate outcomes (Apfelbaum, Pauer, Sommers, & Ambady, 2010; Ricci v. DeStefano, 2009). For example, a study of service and manufacturing organizations in Ireland found that transparency procedures designed to monitor the recruitment, pay, and promotion of minority groups was positively associated with higher labor productivity, greater workforce innovation, and lower voluntary employee turnover (Armstrong et al., 2010).

Government initiatives have also found that greater transparency can increase diversity. In 2011, for example, President Obama instituted a coordinated government-wide initiative to promote diversity and inclusion in the federal workforce with Executive Order 13583; this initiative pledged to add 100,000 employees with diverse (dis)abilities, and it created the Recruitment, Engagement, Diversity, and Inclusion Roadmap to monitor diversity-related progress (Archuleta, 2015b). Four years after its implementation, the President’s Management Agenda reported a 10% increase of women in the senior executive service of the government (Archuleta, 2015a). Similarly, in 2010, the Australian Securities Exchange (ASX) mandated that all ASX-listed companies follow a set of recommendations designed to increase transparency and accountability in the recruitment of board directors (e.g., publicly report processes for nominating and selecting board members); the percentage of female directors then increased from 8.3% in 2008 to 18.3% in 2014. Transparency can be used at multiple levels to root out bias and discrimination and to increase diversity, fairness, and equity.

Managing Diversity Effectively

Although diversity has decision-making and economic benefits, without effective management, diverse groups, communities, and nations run the risk of descending into detrimental conflict, which can derail economic growth (Alesina & La Ferrara, 2005). The key is to find ways to maximize the gains and minimize the pains of diversity—to harness innovation and economic growth without producing counterproductive forms of conflict.

The specific framing of diversity policies is a significant factor in determining whether they are met with acceptance or resistance. With respect to race and ethnicity, emphasizing the benefits of multiculturalism, which entails valuing intergroup differences, can help groups and nations manage diversity more effectively. Experimental evidence indicates that individuals who read statements endorsing a multicultural approach to diversity are more accurate in their perceptions of other groups (Wolsko, Park, Judd, & Wittenbrink, 2000), display less racial bias (Richeson & Nussbaum, 2004), and engage in smoother interracial interactions (Vorauer, Gagnon, & Sasaki, 2009), than do individuals who read statements endorsing a colorblind approach where differences are explicitly ignored. Multiculturalism also encourages underrepresented individuals to seize opportunities. By communicating acceptance of minority groups (Verkuyten, 2005), multiculturalism helps group members display greater engagement at work (Plaut, Thomas, & Goren, 2009) and achieve higher academic outcomes (Walton & Cohen, 2011).
Multiculturalism, however, can be difficult to implement and can also breed resistance from majority groups (Plaut, Garnett, Buffardi, & Sanchez-Burks, 2011), which may explain why analyses from 708 private-sector organizations found that the introduction of diversity training programs was associated with a decrease in the number of Black women in management (Kalev et al., 2006). One key to minimizing such resistance and increasing support for organizational diversity efforts among majority group members is to ensure that multiculturalism is framed inclusively, highlighting the benefits for both minority and majority group members (Jansen, Otten, & van der Zee, 2015; Stevens, Plaut, & Sanchez-Burks, 2008). Mentoring programs are also particularly effective when they are inclusive of all employees, benefiting minority groups without creating perceived exclusion of majority groups.

Related to multiculturalism and its recognition of differences, perspective taking—imagining the world from another's vantage point—also helps with effectively managing diversity. Perspective taking by majority group members decreases stereotyping (Galinsky & Moskowitz, 2000), reduces racial bias (Todd & Burgmer, 2013), increases recognition of racial discrimination (Todd, Bodenhausen, & Galinsky, 2012), and promotes smoother interracial interactions (Todd, Bodenhausen, Richeson, & Galinsky, 2011). Perspective taking also allows people to anticipate and integrate others' interests and priorities with their own to produce higher quality and mutually beneficial decisions (Galinsky, Maddux, Gilin, & White, 2008; Galinsky, Magee, Rus, Rothman, & Todd, 2014).

The practices of inclusive multiculturalism and perspective taking also help catalyze the innovation and decision-making benefits of diversity. For example, organizational climates that value diversity increase information processing and exchange and thus produce better decisions (Homan, van Knippenberg, Van Kleef, & De Dreu, 2007). Similarly, when team members consider one another's perspectives, diverse teams are more creative (Hoever, Van Knippenberg, van Ginkel, & Barkema, 2012).

For communities and societies, inclusive multiculturalism and perspective taking can also enable constructive cross-cultural contact, which itself often (though not
always) reduces prejudice and conflict (Pettigrew & Tropp, 2006). Importantly, communities in which neighbors trust and help one another have lower levels of conflict and violence, especially in neighborhoods with greater diversity (e.g., a high concentration of immigrants; Sampson, Raudenbush, & Earls, 1997).

**Policy Implications**

Empirical evidence demonstrates that diversity creates and sustains economic growth, improves decision making, and produces new innovations; however, other research has identified barriers that limit current diversity levels and produce psychological resistance to efforts to increase diversity. Policies are therefore needed to promote the diversity present in groups, communities, and nations. To increase diversity, we recommend executive orders and taxation policies that incentivize organizations to diversify their employee and supplier base and that increase the number of H-1B visas (and ease the visa application process itself) for highly skilled foreign workers. To encourage the pursuit of diverse personal experiences, we recommend policies that create federal fellowships for study or internships abroad and that encourage foreign work experiences by reducing taxation rates for U.S. citizens working abroad. To overcome organizational barriers that limit diversity, we recommend employment policies that encourage accountability and transparency in recruitment, selection, and promotion procedures. Finally, to minimize resistance to, and detrimental conflict that can emerge from, increased diversity, we propose that all policies be inclusive of both minority and majority group members. Our full list of policy recommendations appears in Table 1.

The U.S. government can have a tremendous impact because it is the largest employer in the world (Alexander, 2012). The policies it sets for its own employees directly affect millions of people and establish a model for other institutions to follow. Both federal and state governments can also influence organizational practices in private companies when those companies seek contracts with government agencies or when state/city governments offer incentives to recruit new businesses. Of course, legislation will only be effective insofar as it offers incentives and regulatory resources as part of a comprehensive, systematic approach to increasing and managing diversity.

The United States is both an economic leader and one of the most diverse countries in the world. We hope that these policies will push the United States further down these two interconnected paths with greater economic growth and civic engagement for all.

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**Notes**

1. Non-Whites are severely underrepresented in study abroad programs and foreign-service assignments and thus frequently miss out on these experiences (DePilis, 2013; PBS, 2014; Tensley, 2015). It is important that all U.S. citizens have opportunities to acquire these diverse experiences.

2. In 2014, President Obama signed two additional executive orders (13665 and 11246 amended) designed to increase pay transparency among federal contractors, who comprise nearly one quarter of the U.S. workforce. In 2015, the Federal Housing Finance Agency required that the Federal Home Loan Banks and the Office of Finance include demographic information on their boards of directors and outreach activities in their annual report.

**References**


