

# A Primer on Diversity, Inclusion, and Equality: From the Profitability of Diversity to Unconscious Bias to its Impact on Our Country

SHERYL L. AXELROD · FEBRUARY 7, 2014

## A. The Profitability of Diversity

I discuss the profitability of diversity in an article, “Disregard Diversity at Your Financial Peril: Diversity as a Competitive Financial Advantage,” that was published nationally in the May / June 2013 issue of Diversity & the Bar, the magazine distributed by the Minority Corporate Counsel Association. You can read the full piece at: [http://www.theaxelrodfirm.com/mailChimpNewsletters.php?ID=12.\[1\]](http://www.theaxelrodfirm.com/mailChimpNewsletters.php?ID=12.[1])

While I encourage those reading this to read the full article (it’s under 2,500 words), here is a summary of some of the article’s main points. The piece contains the supporting citations to them:

### Having Women at the Top Pays

Companies with three or more women on the board outperform companies with all-male boards by 60% in return on invested capital, 84% in return on

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decreases to 16.7%. Fortune 300 companies have slightly fewer women on the board, 14.9% and so on down to Fortune 500 companies. Less women in leadership equates with less financial success.

### Racial Diversity Also Pays

The most racially diverse companies bring in nearly 15 times greater revenues than the least racially diverse.

Racial diversity is a better determinant of sales revenue and customer numbers than company size, age, or number of employees at a worksite, and companies should not disregard other forms of diversity. If you look at IBM, their People With Disabilities Task Force is expected to generate over a billion dollars in new revenues.

### Why Diversity is so Profitable

The reason diversity works is that on almost every measure, greater racially, ethnically, and culturally diverse workplace teams function more effectively than more homogenous teams. Members from diverse backgrounds, experiences, and perspectives avoid “groupthink,” whereas non-diverse teams get mired in it.

### Openness to Candidates from Diverse Backgrounds Minimizes Exposure for Discrimination

Diversity not only holds great potential to increase law firm profitability; openness to candidates from diverse backgrounds — for employment, raises, bonuses, equity, etc. — is essential to minimizing a company’s exposure to

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at: [http://www.nytimes.com/2013/10/24/opinion/kristof-twitter-women-power.html?\\_r=0](http://www.nytimes.com/2013/10/24/opinion/kristof-twitter-women-power.html?_r=0).

Since the publication of these works, there have been a number of terrific articles about the profitability of diversity citing to the actual data. For instance, hard data from the Harvard Business Review on women leaders’

effectiveness shows that “at every level, more women were rated by their peers, their bosses, their direct reports, and their other associates as better overall leaders than their male counterparts — and the higher the level, the wider that gap grows .... [A]t all levels, women are rated higher in fully 12 of the 16 competencies that go into outstanding leadership. And two of the traits where women outscored men to the highest degree — taking initiative and driving for results — have long been thought of as particularly male strengths.”

See: [http://blogs.hbr.org/2012/03/a-study-in-leadership-women-do/?goback=%2Egde\\_1827\\_member\\_5823592442762387457#%21](http://blogs.hbr.org/2012/03/a-study-in-leadership-women-do/?goback=%2Egde_1827_member_5823592442762387457#%21). Similarly, a comprehensive new survey of six hundred board directors (75% of them male) found that women tend to be better corporate leaders. The survey, conducted by McMaster University and published in the International Journal of Business Governance and Ethics, found that the men opted to make decisions based on tradition, rules, and regulations, whereas the women tended to consider the interests of all stakeholders, cooperate, and be more inquisitive.

See: [http://www.fastcoexist.com/1681690/women-have-better-decision-making-abilities-than-men-make-better-corporate-leaders/?goback=%2Egde\\_50271\\_member\\_5824515174337388544#%21](http://www.fastcoexist.com/1681690/women-have-better-decision-making-abilities-than-men-make-better-corporate-leaders/?goback=%2Egde_50271_member_5824515174337388544#%21). Also, while I cite in my piece to IBM and the Coca-Cola Company as examples of businesses that are harnessing the competitive financial advantage of

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unconscious bias and promoting their workforce based on talent. If they did, they would stand to profit enormously for the effort. Companies like RBC, the Coca-Cola Company, and IBM are great examples of companies that get it. These companies are working on rooting out unconscious bias to achieve greater diversity, functionality, and profits.

### B. Gender and Minority Bias

The reason this work is critical is because currently, women and minorities generally face largely unfettered unconscious bias at every rung up the workplace ladder. Only a few make it to the top. The overwhelming majority of those running American companies and law firms are therefore white, non-diverse (not disabled, not openly LGBT, born in this country, Christian, etc.) men.

To give you a striking example of the results of our unconscious bias, as Malcolm Gladwell notes in his book Blink, 58% of Fortune 500 CEOs are not just white and male, but white, male, and 6' or taller. In the US, only about 14.5% of men are that tall. Women and minorities and even white men under 6' tall are largely shut out of the top management spot of our largest companies.

People have unconscious preconceptions about what leaders look like, so far more tall white men are made CEOs than women, men of color, and shorter white men. To see even more unconscious bias, factor in that in the US, only 3.9% of adult men are 6'2" or taller whereas according to Gladwell, 30% of Fortune 500 CEOs are.

A good summary of a study revealing gender bias among Yale scientists is

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students. And they were asked to evaluate the students' competence and 'hireability' and to consider how large a salary they would recommend and how much mentoring they would offer the student if hired.

The scientists evaluating these applications (which were identical in every way except the gender of the 'submitter') rated the male student more competent, more likely to be hired, deserving of a better salary, and worth spending more time mentoring. The gaps were significant."

Female scientists were as likely as male scientists to evaluate the students this way.

ABC News showed folks what's happening by doing this little experiment. See: <http://abcnews.go.com/WNT/video/women-endure-surprising-bias-workplace-21186867>.

Also see this stunning, spot on ad by Pantene: <http://youtu.be/kOjNcZwjsxI>.

### C. Pay parity as impacting our economic competitiveness

Currently according to "The Shriver Report," one out of three women in the US are living in poverty or on the brink of poverty. See: <http://shriverreport.org/a-womans-nation-pushes-back-from-the-brink-facts-and-figures/>. Let that sink in a moment. It is an astounding figure.

If we took better care of our women and we were treated more equally, we as a country would be doing better. Countries that more equally pay women are more globally competitive. See the graph

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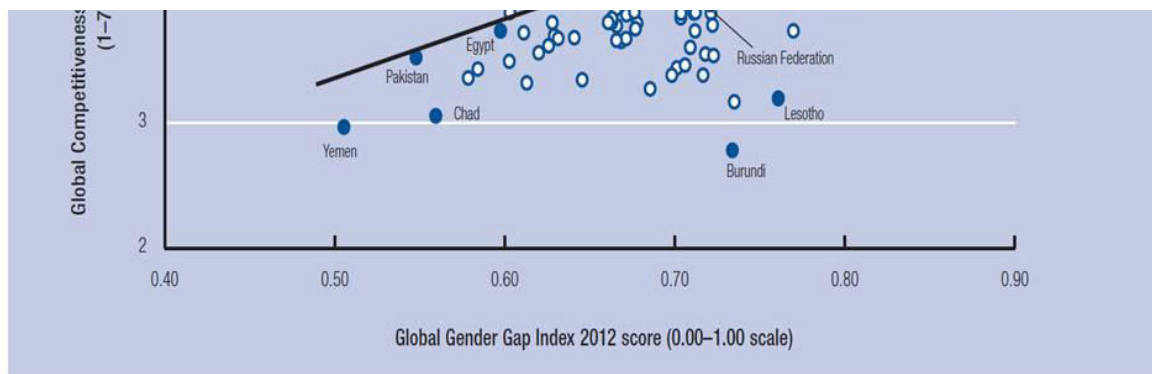
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Source: Global Gender Gap Index 2012 and Global Competitiveness Index 2012-2013.

Note: The Global Gender Gap Index and the Global Competitiveness Index scales have been truncated to enhance readability.

The graph shows that the greater the gender pay parity, the greater the country's per capita competitiveness. The countries in which women are paid closest to the same as men are the most globally competitive on a per capita basis. The countries in which women are paid the least as compared to men are the least globally competitive on a per capita basis.

As John Okray also found in his thoughtful, well researched article, "having women participate at the top of the corporate food chain appears to be a byproduct of cultures that meaningfully value equality and diversity. [C]ountries with more female directors [also] tend [not only] to be the wealthiest [and] most prosperous, [but also the] best educated, least corrupt, and happiest".

See: [http://www.americanbar.org/publications/blt/2014/01/05\\_okray.html](http://www.americanbar.org/publications/blt/2014/01/05_okray.html).

In short, if women and minorities were to achieve pay parity in the United States, the profits of American companies would skyrocket and our country's global economic competitiveness would increase. We would also by the

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Association of Women Lawyers republished the piece that same month (November 2013), see: <http://www.nawl.org/p/bl/et/blogid=10&blogaid=18>, and emailed a link to it to all of its members.

### About the Author

Sheryl L. Axelrod, President of The Axelrod Firm PC, a five-attorney NAMWOLF law firm in Philadelphia, provides strategic, results-driven advice and representation to companies concerning their general and product liability, employment, commercial, and appellate litigation matters. While only 5% of lawyers are recognized by their peers as Super Lawyers, Ms. Axelrod was not only recognized as a Super Lawyer but rated one of the Top 50 Women Super Lawyers in Pennsylvania for the past two years in a row and selected a 2013 Top Rated Lawyer in Labor & Employment by American Lawyer Media and Martindale-Hubbell.



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