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innovation

diversity

**and
market
growth**

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EXECUTIVE SUMMARY

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HAT DOES IT TAKE TO WIN IN THE GLOBAL MARKETPLACE? For virtually all companies regardless of sector, competitive strength and market growth depend on innovation. Gaining market share and expanding into new markets hinges on winning over new consumers or clients by identifying unmet needs and developing new products, services, and systems to fill them. Greater productivity may boost earnings, but in today's fiercely competitive global economy, it is serial innovation that drives and sustains growth.

But what drives serial innovation? CTI's ground-breaking research reveals the engine to be a diverse workforce that's managed by leaders who cherish difference, embrace disruption, and foster a speak-up culture. **Inclusive leader behaviors effectively "unlock" the innovative potential of an inherently diverse workforce**, enabling companies to increase their share of existing markets and lever open brand new ones. By encouraging a proliferation of perspectives, leaders who foster a speak-up culture also enable companies to realize greater efficiencies and trim costs—another way that innovation drives bottom-line value.

TWO-DIMENSIONAL (2D) DIVERSITY describes leadership that exhibits at least three kinds of both:

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Inherent diversity (gender, race, age, religious background, socioeconomic background, sexual orientation, disability, nationality)

Acquired diversity (cultural fluency, generational savvy, gender smarts, social media skills, cross-functional knowledge, global mindset, military experience, language skills)

Leaders have long recognized that an inherently diverse workforce (inclusive of women, people of color, gay individuals) confers a competitive edge in terms of selling products or services to diverse end users—what’s known as “matching the market.” Our research shows, however, that an inherently diverse workforce can be a potent source of innovation, as **diverse individuals are better attuned to the unmet needs of consumers or clients like themselves.** Indeed, their insight is critical to identifying and addressing new market opportunities. We find that when teams have one or more members who represent the gender, ethnicity, culture, generation, or sexual orientation of the team’s target end user, the entire team is far more likely (as much as 158% more likely) to understand that target, increasing their likelihood of innovating effectively for that end user.

Market-worthy ideas, however, aren’t innovation until they’re developed and deployed into the marketplace. To get to market, ideas require the buy-in and endorsement of decision-makers at every level. And that’s where *acquired diversity*SM plays such a vital role in transforming ideas into innovation. **Leaders who have acquired diversity**—whose background and experience has conferred on them an appreciation for difference, whether that difference is rooted in gender, age, culture, socioeconomic background, nationality, or sexual orientation—are **significantly more likely to behave inclusively than leaders who lack it.**

EMPLOYEES WHO REPORT THAT THEIR IDEAS...

Win endorsement from decision-makers
63% vs. 45%

Get developed or prototyped
48% vs. 30%

Get deployed into the marketplace
35% vs. 20%

(% respondents at companies WITH 2D diversity in leadership vs. % respondents at companies WITHOUT 2D diversity in leadership)

TEAM MEMBERS WHO REPORT THAT THEIR LEADER...

63% vs. 29%
Ensures that everyone speaks up and gets heard

74% vs. 34%
Makes it safe to risk proposing novel ideas

82% vs. 40%
Empowers team members to make decisions

64% vs. 25%
Takes advice and implements feedback

73% vs. 30%
Gives actionable feedback

64% vs. 27%
Shares credit for team success

(% respondents whose leader has at least three acquired diversity traits vs. % respondents whose leader has NO acquired diversity traits)

Six inclusive behaviors, we find, are highly correlated with a “speak-up” culture, or an organizational environment where everyone feels free to volunteer opinions, suggest unorthodox approaches, or propose solutions that fly in the face of established practice. Leaders who exhibit at least three of these six behaviors unlock innovative capacity by unlocking the full spectrum of perspectives, opinions, and toolkits that diverse individuals bring to problem-solving. While critical at the team level, such leaders are especially transformative at the top, because they’re the ones who determine organizational culture by socializing their behaviors. Brilliant individuals and high-performing teams cannot deliver in a culture where channels for experimentation don’t exist, failure is penalized, and the loudest voice in the room is that of the leader.

Indeed, our research shows that **when leadership lacks innate or acquired diversity**, or fails to foster a speak-up culture, **fewer ideas with market potential make it to market**. Ideas from women, people of color, LGBTQs, and Gen-Ys are less likely to win the endorsement they need to go forward because 56% of leaders don’t value ideas they don’t personally see a need for—a veritable chokehold when an organization’s leaders are predominantly Caucasian, male, and heterosexual, and come from similar educational and socioeconomic backgrounds. In short, the data strongly suggest that homogeneity stifles innovation. Fully 78% of our survey sample work for such a company.

TEAM MEMBERS WHO REPORT THAT THEY FEEL...

Welcome and included in their team

87% vs. 51%

Free to express their views and opinions

87% vs. 46%

That their ideas are heard and recognized

74% vs. 37%

(% respondents whose leader exhibits at least three inclusive behaviors vs. % respondents whose leader exhibits NO inclusive behaviors)

EMPLOYEES WHO REPORT THAT...

40% vs. 25%

Groupthink is a problem on their team

62% vs. 37%

Leadership at their company does not perceive value in ideas they don't personally see a need for

48% vs. 26%

Ideas at their firm rarely make it to market

(% respondents at companies WITHOUT 2D diversity in leadership vs. % respondents at companies WITH 2D diversity in leadership)

Companies that harness both innate diversity in their workforce and acquired diversity in leadership are measurably more innovative than companies that fail to harness these drivers. Employees at companies with 2D diversity are more likely than employees at non-diverse companies to take risks, challenge the status quo, and embrace a diverse array of inputs. They're also 75% more likely (35% vs. 20%) to see their ideas move through the pipeline and make it to the marketplace.

Most dramatically, our findings demonstrate a robust correlation between highly innovative, diverse companies and market growth. Diversity pays a handsome dividend: employees at publicly traded companies with 2D diversity are 70% more likely (46% vs. 27%) than employees at non-diverse publicly traded companies to report that their firm captured a new market in the past 12 months, and 45% more likely (48% vs. 33%) to report that their firm improved market share in that same time-frame.

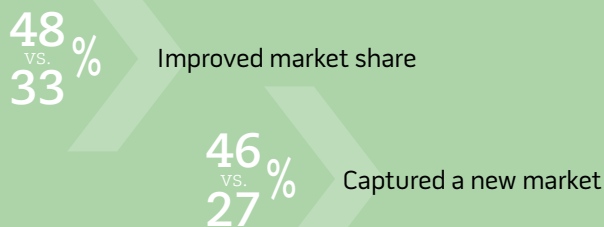
In the final analysis, our research shows, companies with multicultural workforces have the means at hand to grow and sustain innovation. The secret isn't a surfeit of creativity, although creativity helps. It isn't a lone genius, although genius never hurts. Rather, innovative capacity resides in an inherently diverse workforce where leaders prize difference, value every voice, and manage rather than suppress disruption. If innovation is the Holy Grail, then diversity should be a company's unrelenting quest.

EMPLOYEES WHO REPORT THAT THEIR TEAM...

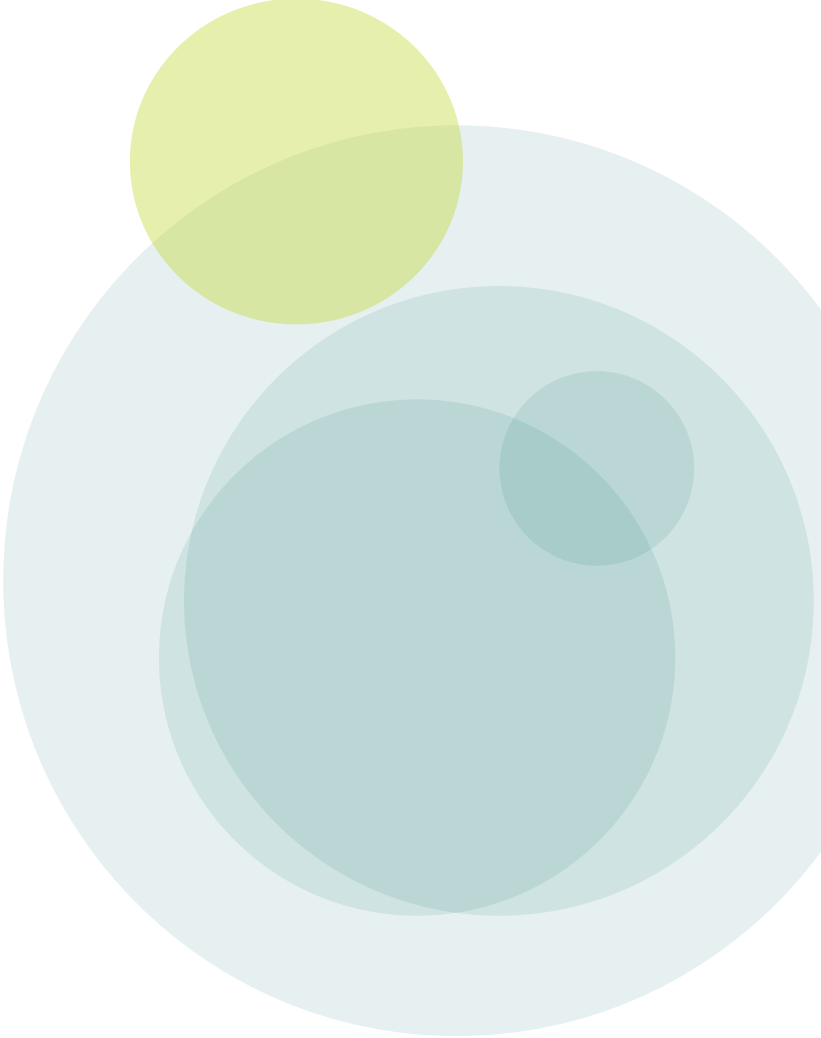


(% respondents at companies WITH 2D diversity in leadership vs. % respondents whose leader exhibits NO inclusive behaviors)

EMPLOYEES WHO REPORT THAT IN THE LAST 12 MONTHS THEIR FIRM...



(% respondents at publicly traded companies WITH 2D diversity in leadership vs. % respondents at publicly traded companies WITHOUT 2D diversity in leadership)



The Center for Talent Innovation is a nonprofit think tank based in New York City. CTI's flagship project is the Task Force for Talent Innovation—a private-sector task force focused on helping organizations leverage their talent across the divides of gender, generation, geography and culture. The 75 global corporations and organizations that constitute the Task Force, representing six million employees and operating in 192 countries around the world, are united by an understanding that the full realization of the talent pool is at the heart of competitive advantage and economic success.

