

Building the case for diversity, equity, and inclusion

By Ashley Rabinovitch

Diversity, equity, and inclusion are more than buzzwords—they're critical components of any successful strategy in today's business landscape. Coming from one of the most diverse student bodies of any top business school, Simon alumni are leading their companies in the right direction.

Call it DEI, EDI, D&I, or any other trendy acronym you prefer, but the growing emphasis on cultivating diversity, equity, and inclusion in the workplace is anything but a passing trend. From Fortune 500 companies to mom-and-pop corner shops, employers have emerged from a season of cultural flashpoints with a deeper commitment to address the inequities exposed by #MeToo, Black Lives Matter, and other standard bearers for historically disadvantaged groups. Those who translate intentions into action quickly discover building diverse teams isn't just good for optics—it's good for the bottom line.

Weighing the evidence

When data speaks, Simon alumni are inclined to listen. Argentine native Alejandro Tobolski '03S (MBA), the Region Diversity & Inclusion Leader (Latin America) for Johnson & Johnson, can rattle off the latest statistics without referencing his notes. "Countless studies and reports show that companies that focus on equity, diversity, and inclusion (EDI) perform better," he says. "They are 25%-35% more profitable and 20% more innovative." In other words, no company confronts a choice between pursuing EDI and pursuing profit and innovation, because one leads straight to the other.

Melzetta Moody '14S (MBA), who drives Global Diversity, Equity, and Inclusion at Suvoda, a Philadelphia tech company, references a McKinsey study that correlates higher levels of diversity with profitability and value creation in more than 1,000 companies in 12 countries. According to the study, a greater degree of diversity on executive teams is a particularly powerful determinant of success. Companies in the top quartile for gender diversity on executive teams were 21% more likely to achieve greater profitability, a number that rose to 33% for companies in the top quartile for ethnic and cultural diversity. On the flipside, companies that scored in the bottom quartile for all types of diversity were 29% less likely to achieve above-average profitability. "In short, not only were they not leading, they were lagging," the McKinsey study claims.

A growing body of evidence traces the link between diversity and profitability to several key factors, some more obvious than others. Across the globe, diverse teams are significantly more equipped to understand the needs and preferences of an increasingly diverse consumer base. Multicultural U.S. consumers alone account for roughly \$3.2 trillion in spending power, Tobolski points out. "That's only when you combine the spending of Black, Latinx, Asian, and every other group of Americans," he says. "Why would you want to lose part of that market?"

As companies that fail to prioritize EDI in the workplace miss opportunities to engage a wider segment of the market, they also miss opportunities to build world-class teams. Moody worked in talent and human resources for giants such as Comcast, NBCUniversal Media, and Eli Lilly and Company before moving into her current role at Suvoda. "Whenever I would tour the offices of a potential employer, I would take a look around," she remembers.

¹ McKinsey & Company, "Delivery Through Diversity."

² BCG Henderson Institute, "How Diverse Leadership Teams Boost Innovation."

During her tour of Suvoda, she was surprised to spot only one other Black person. Her company has grown in "leaps and bounds" on the diversity front since she became the first Black woman to join its leadership staff, but she uses the example to illustrate a fundamental truth: "For someone like me who is interviewing for a relatively high-impact role, we look for diversity. First impressions matter."

Moody also points out that prioritizing EDI affects the bottom line through making employees feel safer and more confident in the workplace. "What I found is that employees are more engaged and more likely to add value in an environment that fosters inclusivity," she says. "In a more hostile environment, they end up spending more time and energy protecting themselves from environments, processes, or procedures that may be unfair or discriminatory than adding value. That defeats the entire purpose."

Apart from appealing to a wider consumer and talent base, diverse companies achieve greater profitability because of their superior capacity to innovate. When ideas and paradigms born of different lived experiences collide, innovation is never far behind. According to

a study conducted by the Boston Consulting Group, companies with more diverse management teams have 19% higher revenues because of the advantages that innovation provides.

Julie Bazan, the Executive Director of Career Education & Professional Development at Simon, has witnessed the power of diverse thinking in her years in the finance sector as well as in her current role. "The more diversity in background, the more collaborative ideas are generated," she believes. "If we are all coming from the same place, we will never go anywhere different."

We will have no concept of other ways to do things."

According to Bazan, Simon students learn the importance of diversity in generating fresh ideas long before they graduate: "The strongest teams are often the most diverse" she has seen students discover as they work in groups to solve problems. *U.S. News & World Report* ranked Simon as the #1 most diverse among the top-50 business schools in the United States, with 40% of the MBA class of 2021 coming from historically underrepresented groups. "By fostering one of the most diverse student bodies of any business school, we give our students a head start in learning how to manage diverse teams in global environments," affirms Sevin Yeltekin, Dean of the Simon Business School.

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Ample evidence suggests that more diverse teams not only produce more innovative ideas but also make better decisions overall. “We know that more diverse, inclusive groups make decisions more quickly and effectively,” says Moody. “As you expose leaders to more diverse talent, the potential outcomes of their teams become more fact-based and beneficial to the bottom line.”

A *Forbes* study from 2017 analyzes close to 600 business decisions made by 200 different business teams over the span of two years to gauge the impact of diversity on the decision-making process. The study finds more inclusive teams make better business decisions up to 87% of the time and deliver 60% better results.

The Diversity Bonus: How Great Teams Pay Off in the Knowledge Economy, a book published by University of Michigan researcher Scott E. Page, reveals the competitive edge enjoyed by diverse teams when interpreting and solving problems. The book uses the example of the million-dollar Netflix Prize, which invited unrelated teams from different professions to attempt to beat the company’s existing method for predicting user movie ratings based on their previous ratings. In the end, the top 10 contenders brought a variety of technical backgrounds and work experiences to the task. “By sharing perspectives, knowledge, information, and techniques, the contestants produced a sequence of quantifiable diversity bonuses,” writes Page. Using a wide variety of examples, Page also demonstrates how more diverse groups effectively reduce the frequency of errors in group predictions.

As more diverse groups bring a wider offering of perspectives to the table, they also reveal a deeper psychological reality at play. A range of studies conducted in recent years conclude that when people notice differences in identifiers, from gender and race to socioeconomic status and political affiliation, they anticipate differences of opinion and work harder to reach a consensus. Across industries, diverse groups operate on a higher cognitive plane than homogenous ones.

Identifying barriers to change

“I can’t think of a single time when someone told me that they didn’t believe in promoting EDI in the workplace,” reflects Moody, “but there are still significant barriers to walking the talk.” In her experience, a significant portion of companies recognize the importance of improving on EDI, but they don’t know where to start.

Other companies pay lip service to the need to improve EDI but fail to make it a top priority. When Moody first joined Suvoda, the company was in “start-up mode,” she remembers. Whereas Suvoda’s leaders maintained an

unusual internal commitment to advancing EDI as the company grew, many similarly situated companies may choose to defer action.

Ultimately, Moody acknowledges, “EDI is a really uncomfortable space for most people. These are difficult conversations to have.” As a woman of color, Moody feels empowered to lead EDI discussions based on her expertise and personal experience. “But for people who are leading EDI efforts that are personally not impacted, there is a reluctance to speak for fear of saying the wrong thing,” she senses. “Starting the conversation, acknowledging problems, and finding resources to make a change—these are significant barriers in a number of companies I have experienced. I’ll say it again: This stuff is hard but necessary.”

Translating policy into action

For business leaders such as Moody and Tobolski, leaning into the discomfort and complexity of implementing EDI in the workplace begins with a harder look at their present situation. “You have to take inventory of where you are to make any progress,” says Moody. “You have to have an executive team that is willing to invest resources in change and employees who believe change is necessary.”

Once an organization has firmly established a commitment to advance EDI, it’s time to operationalize that conversation, says Moody. “You look through the lens of diversity—whether or not you have the demographic mixture you need, however you define that; inclusion—whether or not people feel safe to be their full selves at work; and equity—whether or not you have the policies and procedures in place to support equality, to identify opportunities for improvement.”

Moody’s company, like a number of others, plans to hire an independent consultant to shine a spotlight on the successes and pitfalls of the company’s current policies through analyzing exit interviews, employee surveys, hiring and compensation practices, and leadership biases. “People often assume that EDI is a project led by human resources,” reflects Tobolski. “It’s not. EDI is a business imperative, so executive team leaders should be leading the charge.”

Once leaders have compiled the data they need to act, one of the most critical steps they can take is to improve their talent pool for hiring. “Where you look determines your interview pool,” says Moody. “Companies often wait for talent to come to them, but they need to pursue a more diverse pool with intentionality.” If a company identifies a need to diversify their accounting team, for example, its talent acquisition leader can partner with

organizations such as the National Association of Black Accountants or the Association of Latino Professionals in Finance and Accounting. Although hiring the most qualified candidate will not necessarily mean hiring a more diverse candidate in every situation, expanding the talent search to attract more diverse candidates will improve diversity in the long run.

Identifying diverse talent is foundational, but it’s only one piece of the puzzle, Tobolski points out. “Unconscious bias is one of the main barriers to create an inclusive workforce,” he says. For two years, Tobolski spearheaded the effort to train nearly 20,000 colleagues in Latin America to learn to reduce unconscious bias at every step of the talent cycle, from recruiting and hiring to retaining and promoting, through participating in an intensive e-learning program in their local language. He and his regional counterparts ultimately trained more than 90% of the company’s global 140,000-person workforce. They also created a unique guide for leaders to lead team discussions about the specific actions they can take to avoid and eliminate unconscious bias. “It was a highly positive experience,” Tobolski shares. “Now our people are talking about unconscious bias in a natural way and incorporating these concepts into their processes and performance reviews.”

At Johnson & Johnson - Latin America, Tobolski coordinates six employee resource groups (ERGs) that drive a culture of inclusion, adding to a total of a dozen company ERGs worldwide. Through regular meetings, ERGs offer support and community for diverse groups of employees while educating the wider organization. In Latin America alone, ERGs such as Women Leadership and Inclusion, Open and Out, Soul-Afro, and the Alliance for Diverse Abilities create opportunities for women leaders, LGBTQ+ employees, Brazilian employees of African descent, and employees with disabilities, respectively. “ERGs create unique opportunities for our community to learn,” says Tobolski. In Brazil, recently, Soul-Afro recently invited a professor to educate attendees on the impact of Black history on Brazilian society over the course of nine months. “Every other year we complete a survey called the inclusion index, which indicates that ERGs are helping to take our company in the right direction,” Tobolski says.

At Suvoda, Moody views difficult conversations as a central tool for building inclusion. After George Floyd’s death, she hosted a series of discussions to give employees space to express their feelings about civil unrest, systemic racism, and their effects on daily life, both in and out of the workplace. “One employee, who was the only person of color in her neighborhood, expressed fear about exercising outdoors,” Moody remembers. “It’s important for her colleagues to

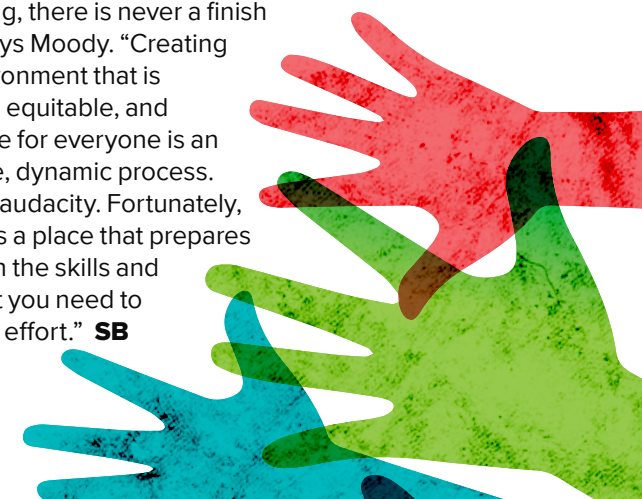
understand how these things impact people like her at work.” Moody received overwhelmingly positive feedback from the employees who participated. “Many expressed gratitude for a company that supports them and understands the personal impact of current events,” she shares. “Building this credibility among employees is critical for getting their buy-in as we move forward on EDI initiatives.”

As Simon students place a higher emphasis on working in a diverse, inclusive, equitable workplace, Bazan points them to alumni such as Moody and Tobolski. “The best advice we can give students is to network with current and past employees, particularly alumni, and ask them about the work environment,” she says. “Recruiters will say all the right things, but it’s important to hear from the perspective of an employee that companies are living up to their stated vision for EDI.”

Moving forward with audacity

As the business case for EDI grows stronger every year, so does public pressure on companies to align their actions with their stated values. In December 2020, Nasdaq filed a proposal with the U.S. Securities and Exchange Commission to adopt new listing rules that would require all companies listed on its U.S. exchange to publicly disclose diversity statistics regarding their board of directors. If approved, the new rules would require these companies to have, or justify their lack of, at least two diverse directors on their board—one who identifies as female and one who identifies as an underrepresented minority or member of the LGBTQ+ community. “This announcement from Nasdaq has generated a lot of interest and discussion on board diversity,” reflects Dean Yeltekin. “While one can debate the merits of their specific rules, with large players like Nasdaq involved in the conversation, we can accelerate movement in a new, positive direction around diversity in many businesses and industries.”

For business leaders such as Moody and Tobolski, EDI is a tool to remake the world, not a goal to check off a list. “With business needs and external factors constantly changing, there is never a finish line,” says Moody. “Creating an environment that is diverse, equitable, and inclusive for everyone is an iterative, dynamic process. It takes audacity. Fortunately, Simon is a place that prepares you with the skills and mindset you need to join the effort.” **SB**



³ *Forbes*, “New Research: Diversity + Inclusion = Better Decision Making At Work.”

⁴ *Scientific American*, “How Diversity Makes Us Smarter.”