As the United States moves toward a presidential election with the choices boiling down to white men in their 70s, the perennial issue of diversity at the top of organizations is under discussion.

To be fair, modest progress has been attained, although at times it seems otherwise. Last year, for the first time ever, all-male boards in the S&P 500 disappeared.¹ This landmark does not mean women are in the same number as men sitting on boards, as they account for only 27 percent of the S&P board seats.² Still, that’s nearly a 17 percent increase from eight years ago.

With regard to the number of women CEOs, the tally also indicates an upward trend. Again, the numbers aren’t much to crow about: Of the 500 largest companies in the country, women are CEOs in 6 percent of them.³

The battleground for diversity is not limited to gender alone, of course. Of the 500 CEOs of Fortune 500 companies, only four are black and all are men.⁴ We’re moving in the right direction, just not fast enough for business to benefit from the unique perspectives provided by diverse groups of people.

Today’s workforces blend a multiplicity of generations, cultures, genders, sexual orientations, and neuro-diverse people, collectively offering a rich variety of ideas and opinions, which are all beneficial for business. Numerous studies affirm the revenue-boosting creativity and problem-solving value of diverse organizations.

A study by the Boston Consulting Group, for instance, suggests that companies with above-average diversity in their management teams generate 19 percent higher revenue than those with below-average diversity.⁵ And a study by McKinsey & Co. suggests that diverse boards of directors reap substantially higher earnings and returns on equity.⁶ For companies in the top quartile of board diversity, the returns were 53 percent higher than for those in the bottom quartile.

**Institutional investors lead the charge**

Regrettably, these varied reports have not produced the collective will needed to effect
broader changes on a faster timetable. The good news is that institutional investors are wielding their estimable clout to move things forward more quickly.

According to a large global survey of 760 institutional investors sponsored by BlackLine, 95 percent of the respondents believe that management diversity is a key factor in the success of their portfolio companies. More than 8 in 10 respondents (83 percent) who predict a recession occurring in the next 12 to 18 months are planning to closely evaluate management diversity when rebalancing their portfolios.\(^7\)

Many large institutions like Black Rock and State Street have made it clear in recent years that they will no longer tolerate unequal gender and racial representation in business leadership ranks. In 2017, State Street made its position clear by unveiling “Fearless Girl,” a bronze statue of a young girl facing off against a much bigger statue, Wall Street’s giant symbolic bull.

Just in case anyone missed the point, State Street elaborated in an accompanying press release that either all-male boards nominate women directors or the firm will vote its proxies against the entire slate of nominated directors.\(^8\) Within a year, more than 300 public companies took the challenge to heart and added a woman board director.

Institutional investors want greater diversity in management not because it is the right thing to do, but because it is the right thing to do for business. According to a groundbreaking study by Pew Research Center, women are identical to men when it comes to leadership characteristics like intelligence and capacity for innovation, but they’re much stronger than men in terms of being compassionate and organized leaders.\(^9\)

Boards with women directors are beginning to appreciate the value of their leadership attributes. Last year, 23.2 percent of board audit committees were led by women, as were 23.2 percent of board compensation committees, up from 17.8 percent and 13.6 percent, respectively, in 2015, according to the World Economic Forum.\(^10\)

Unfortunately, this progress is overshadowed by several disquieting trends involving women in the workplace. The further women rise in managerial ranks, for instance, the more they are likely than men to quit their jobs, according to a study by Network of Executive Women (NEW).\(^11\) In the aggregate, women drop out of the workforce faster than men, with attrition rates of 31 percent and 24 percent, respectively. This statistical disparity widens as women attain more senior positions — 24 percent versus 7 percent.

As for the women who make it to the top rung, they are 45 percent more likely to be fired than their male CEO counterparts.\(^12\) This phenomenon is called the glass cliff and it refers to the tendency of boards to appoint women as CEOs during times of financial crises and poor business performance — extremely difficult periods when they’re at a greater risk of failure (i.e., falling off the cliff).

These troubling developments may be interpreted unfairly, suggesting that women don’t have what it takes to lead. However, as the study by NEW maintains, the culprit is culture — the inherent biases that affect how women are perceived across the organization.

**Rooting out the causes**

When other diverse employees consistently feel that managers do not value them, they, too, work less or quit. That’s the upshot of a survey of more than 2,000 diverse employees of technology companies who handed a survey of more than 2,000 diverse employees of technology companies who handed out their resignations.\(^13\) Their primary reasons for uprooting were feelings of widespread unfairness and mistreatment. For instance, many women in the study said they had experienced unwanted sexual attention. LGBTQ employees reported instances of bullying and public humiliation, and underrepresented women of color said they were regularly passed over for a promotion. This double burden of bias prevents many black women from reaching the uppermost levels of corporate leadership.\(^14\)

These varied findings could not come at a worse time for business, given the so-called war for talent. As more baby boomers retire and unemployment figures remain robust, younger generations of employees have more options of where to work.

One in four workers changed jobs in 2018, hopeful that the next assignment will involve more meaningful work and a purposeful career.\(^15\) A recent study in *Harvard Business Review* indicated that 40 percent
of employees feel physically and emotionally isolated in their current jobs. Managers and coworkers in team meetings didn’t seem to care about their ideas, compelling them to be quiet.¹⁸

The article resonated with me, as years before, a highly educated younger female employee from India was on a team composed of primarily older and white male software engineers. She was very reserved in meetings and didn’t seem to be comfortable speaking up.

When I inquired if this was the case, she replied that her culture did not encourage women to speak up. I decided to intervene, coaching her in several sessions on how to communicate her ideas. Gradually, she developed self-assurance, overcoming years of cultural conditioning to voice her thoughts and opinions to her peers. She then felt she belonged.

When diverse people have such feelings of inclusion, the benefits for business include a 56 percent increase in job performance, a 75 percent reduction in absenteeism, and a 50 percent decrease in turnover.¹⁷ A 2018 report by McKinsey & Co. suggests that companies in the top quartile for management diversity are more likely to have financial returns above national industry medians.¹⁸ For every 10 percent increase in racial/ethnic diversity on the senior executive team, earnings before interest and taxes rise 0.8 percent.

The value of employing people of different ages, gender, ethnicities, and other singular personal characteristics should be a no-brainer. The obstacle is the unconscious bias that appears when we make contact with people who appear outwardly different. The more we get to know each other, the less these outward differences appear.

Beer maker Heineken tested this proposition in an advertising campaign a couple of years ago called “Worlds Apart: An Experiment.”¹⁹ Viewers were introduced to pairs of company employees who were filmed as they discussed their work and the world around them. Their opinions were different, but the atmosphere was collegial.

The viewer is then informed about the employees’ perceived differences. For example, one pair is composed of an ardent feminist and an anti-feminist. Another pair includes an advocate and a denier of climate change. There’s even a pair in which one male employee believes “men are men and women are women,” and the other employee is a transgender woman.

The pairs are not made privy to their differences. Rather, the filmmaker guides them to discuss the things they have in common. When the transgender woman reveals she served in the military, her fellow employee thanks her for her service. Each pair then successfully collaborates on a work project. In the final scene, the employees are given the information we already know. The disclosure is not remotely unsettling. Invited to stick around and have a beer with their counterpart, they all do just that, continuing their conversations with no change in demeanor.

This is the message that needs to infuse every board, every company, and every one of us. We are cut from the same cloth, and our differences weave together seamlessly to form the tapestry of our lives and work.

NOTES
3. Boorstin, J., “The number of female CEOs is increasing — But here are the big problems in their way,” CNBC Make It (Jan 24, 2020) (blog). Available at: https://www.cnbc.com/2020/01/24/number-of-female-ceos-is-increasing-but-they-still-face-glass-cliffs.html.