Managerial Perspectives on DEI in a Global Business Environment: A comparative Research Report

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Introduction: Understanding DEI in USA and India

Diversity, equity, and Inclusion (DEI) are frameworks used in an organization to promote the fair treatment and full participation of the whole people. It encompasses the acknowledgment of distinct cultures. Embracing their differences and supporting and accepting them despite race, color, gender, religion, and socioeconomic factors (Dunn, n.d.-a). The implementation of DEI in the workplace is due to Foster being a more inclusive, supportive, and innovative environment. Which also helps them to attract new talents and enhance the reputation of the organization. Leading to better customer diverse relations and better business outcomes (Tenney & Tenney, 2025).

The approach in India has more focused on addressing the caste inconsistencies and targeted social legal mandates, whereas in the USA, the approach is highly driven by civil rights laws and stakeholder's activism. This comparison is relevant because these two countries have a very distinct approach and motivation for implementing DEI. The USA enforces laws such as anti-discrimination (like Title VII of the Civil Rights Act), while India uses a different approach such as (e.g., the Maternity Benefit Act, POSH Act, and Transgender Rights Act) without a single unified DEI law for the private sector. The hierarchy and decision-making variable are high distinct, as respect for seniority is supreme, and decision are usually made by the high authorities in India, whereas the organizational structure is flatter and open to dialogue. The social expectations are different as Indians believe in relationship building is critical in business culture and it has enormous impact in networking and career advancement, while Americans view socializing and work very distinctly (Kwatra, 2024). In India, Targeted rules (such as those pertaining to maternity, POSH, disability, and transgender inclusion), growing employee expectations, and international customer needs have all contributed to the strategic importance of DEI in India. Despite low participation, businesses prioritize PwD, LGBTQIA+ inclusion, and gender parity. Caste, language, religion, and geography are examples of cultural complexity that are needed for specialized methods. In the USA, DEI in a business context has equal access to opportunities and fairness for all in an organization.

The case for DEI: Positive & Negative impacts

The main reason for an organization implementing DEI programs is to increase positive engagement and success among co-workers and fresh perspective and ideas which potentially lead to higher company growth. The legal and regulatory compliance in DEI program must comply with laws like Title VII of Civil Rights Act, which prohibits employment decisions based on race, sex, or other protected characteristics (*EEOC and Justice Department Warn Against Unlawful DEI-Related Discrimination*, n.d.). Federal contractors also follow affirmative actions as required and laws like ADA and EEO regulations to ensure inclusive practices.

On the other side, DEI is seen as capital motivators in a business as studies show diverse teams improve innovation, overall performance, and decision-making. Company invests in diversity to attract new talents and engage and retain the top talents and enhance their reputation. The link between DEI and retention is the fostering of the sense of belonging and psychological safety, which are key to the employee satisfaction and their loyalty towards the organization (Tenney et al., 2024). With an unconscious bias, USA business spends up to $550 Billion annually, to identify ways to make the organization more sustainable and more resilient, more adaptable, more profitable. In 2023, Kantar's study reveals that about 75% of customers globally consider a brand's diversity and inclusion efforts in influence with their purchase decision (*Three Quarters of Consumers Say Inclusion and Diversity Influence Their Purchase Decisions*, n.d.). It is perceived as socially responsible and ethical and positive brand sentiment, investment opportunities. Additionally, a survey from Deloitte 2022 found that 57% of consumers are more loyal to the brands addressing social inequalities across their operations. CEOs are influenced by the demand from the workforce with 40% citing employee input as key. Undermining the legal threats, companies continue to approach culture, reputation, and long-term inclusion commitments (Budd, 2025).

The DEI function in USA includes Bias and sensitivity Training, Employee survey, equity audits, Inclusive Hiring and supportive workplace polices. Data shows that diverse teams outperform the homogenous ones. Organizations recognize that when employees feel excluded or undervalued, performance and well-being DEI programs are viewed as essential not only for legal compliance, but for business performance that algins with societal values (*DEI Initiatives for Small Businesses*, n.d.).

The Landscape of DEI in India is in two ways, firstly in the Government and Public sector, the reservation system is the strongest form of DEI in the country, but it is limited to public sector and educational institutions. Main policies like Quota-based policies exist for: Scheduled Caste (SC), Scheduled Tribes (ST), Other Backward classes (OBC), Economically Weaker Sections (EWS) for the inclusivity and equality. And these are constitutionally mandates to address past historic events and system discrimination (SHRM, 2024). Secondly, there is no legal requirement for DEI hiring / programs in the private sector. Their efforts are considered as Voluntary and varies based on company's size and business acumen, global influence (Boston Consulting Group et al., 2024). These Active DEI initiatives bolster a company's reputation and attract customers who value inclusiveness. Diversification is encouraged in Indian laws and policies. For instance, the Securities and Exchange Board of India (SEBI) require the top 1,000 listed businesses to provide information on social diversity and gender.

Article 15 & 16 forbids the discrimination based on religion, sex, ethnicity, caste, or origin of birth social safeguarding provisions are included for all the Indian citizens. Companies are focused on diversity for both competitive and reputational reasons. For instance, companies like Big Basket are tapping into women oriented, persons with disabilities and people are under the Low per capita GDP.

The difference in business practices regarding DEI is that in India, the efforts are often mirror of the western models but differ with caste discrimination and socio-economic disparities. In contrast, DEI programs in USA typically emphasis race, ethnicity reflection difference in socio-economic norms (Thakur, 2025).

The social expectations are in the India's long stating caste hierarchy, is overlooked but the regional, linguistic diversity and India's numerous cultures, traditions are vast requiring a DEI strategy that are sensitive to differences. The research shows an enormous number of positive outcomes in the DEI initiatives boosting the business outcomes: gender-diverse executive teams are 21% more likely to be profitable, ethnically diverse ones are 33% on profits. Firms with diversity in leadership show 19% higher innovation revenue and 45% more in employee engagement and 50% lower turnover risks- providing DEI drives great progress in both performance as well as retention (Sterndorff, 2024).

The DEI improves hiring and promotion decisions, improves fairness by reducing bias and giving opportunities to candidates from diverse backgrounds and are considered strengths, not weakens to the process (*Debunking the Myth: DEI Does not Mean Lowering Hiring Standards*, n.d.). The studies in McKinsey (2020) show that companies in the top quartile for ethnic diversity are 36% more likely to outperform on profitability. In 2018 the Deloitte survey indicates inclusive firms are two times more likely to hit financial goals.

Data shows that DEI fosters innovation and broader pipelines in leadership, but quantitative data on mobility and promotion rates remains limited by transforming data into meaningful change for workplace equality, the "APPLE PIE" DEI metrics—Attrition, Performance, Promotions, Leadership, Pipeline, Pay equality (Geiling, 2024).Fairness and Trust are fundamental components in creating a workplace where all the employees feel valued and respected. Be the policies and practices leading to engagement and positive morale in a workplace (McConnell, 2024).

The American Psychological association (APA) states that sense of belonging is closely tied to employee engagement and productivity as it is "crucial for employees" despite of loneliness at work varies by age group. The underrepresented groups, includes women, people of color, LGBTQ+ and people with disabilities and veterans. Research shows that DEI initiatives have improved their career growth. As they get access to resources and support, through this program they are facilitated with mentorship and networking opportunities allowing them to connect with the overall community and build relationships and gain valuable experience.

In an inclusive workplace with an equitable access to leadership, there is justice, eliminating biases and systemic barriers. That gives employees transparency about career progression, promotion, and compensation structure. Being able to communicate transparently and lead with example sets a tone for the employee's mindset. Organization addresses the challenges to ensure fairness and inclusion by using objective criteria, DEI training and employee feedback survey and embedding inclusive practices in hiring, performance reviews (Mattina & Mattina, 2025).

The research indicates that strong DEI programs improve financial performance, market expansion and operational success. McKinsey report states that companies with ethnic diversity outperform by 36% in comparison with gender diverse leadership are 25% more likely to exceed profitability benchmarks. These practices directly enhance brand recognition and trust among the employees, stakeholders, and consumers. Ultimately contributing to the long-term stakeholder's value by delivering financial gains and profitability in today's market (Hardiman, 2024).

The Case Against DEI

There are industry specific variations in how DEI affects financial success, for example, In Industries like Tech and creative sectors, it drives innovation aspect in market expansion leading to profitability. For a Manufacturing and finance, they are more focused on risk management and operational efficiency. Customer facing sectors algins with building brand loyalty and market share. Thus, DEI initiatives algin with diverse customer and industry needs, contributing to positive financial outcomes, and benefits based on its integration with the organization. The research on DEI initiatives is complex. Studies show that, when implemented thoughtfully, there is a boost in engagement, performance & profitability in an organization. However, the research also indicates the potential backfires and negative impacts. When it is poorly managed and executed. The key indicators by the critics are reflected below:

1. **Reverse Discrimination:** According to certain research, anger or accusations of reverse discrimination may result when hiring or promotion choices are thought to be unduly influenced by demographic quotas rather than merit. Even if the goal is to level the playing field, this might lower staff morale and undermine faith in the leadership.
2. **Narrow Focus:** Critics argue that just observable characteristics (like race or gender) should not be the dimensions of diversity, they overshadow the different cognitive styles, experience, and backgrounds. There are just surface level actions organizations take part in. They focus too much on appearance and may miss real talents and opportunities to leverage (Dapelo, 2023).

The impact on hiring and promotions decisions has been certainly seen in the organization and their overall growth. The studies from McKinsey, Deloitte, Harvard Business review show that they do not lower the standards as they are constructed to reduce the unconscious bias and highly prioritize inclusivity and equality. Critics argue that there is an emphasis on demographic over merit potentially reducing the high performers and being doubtful about candidates' qualifications. But this raises the question whether there is an issue within DEI, or it is execution by the hiring managers or recruiters (Opinion Desk & Opinion Desk, 2025).

Regular audits and stakeholders input calibrates DEI measures and guide dynamic strategy adjustments (Sterndorff, 2024b). Diverse boards better navigate regulations, minimizing regulatory and legal risks. Alleged bureaucracy is uncorroborated, DEI strengthens governance and major risks. For instance, in healthcare, DEI improves patient care quality, compliance and resilience. Leading to better risk management and outcomes. For finance, investor confidence and governance lead to profitability. Ineffective initiatives have led to black fires and public criticism and brand image. Organization may have financial setbacks when poorly implemented and misalign with the vision of a DEI program. This triggers operational inefficiencies, failing to meet the DEI standards which ultimately lead to compliance risks and associated costs.

Why are companies reducing or eliminating DEI efforts: Passive vs. Active Rollbacks

Companies are scaling back DEI for distinct reasons, firstly the economic pressure and political factor and when DEI standards are not directly aligned with the business objectives, these are classified into passive and active rollbacks with understanding their intention behind it and consequences.

1. **Cost reduction and economic pressure:** In January 2025, Several DEI programs were terminated in Meta including hiring, training, and supplier diversity, as part of the greater efforts to streamline operations amid economic challenges.
2. **Misguided from core business objective:** In February 2024, Elon musk has publicly shared his criticism in public DEI initiatives, describing them as another word for racism. This led to the major change in Tesla from DEI and it is an annual 10-K filling to merit based approach (Gonzales, 2024).

Consequences of DEI Rollbacks:

Internal reactions:

Meta employees: Survey revealed that employees were divided over the decision to halt DEI initiatives, with 45% disagreeing and 43% agreeing. This change indicates the impact on employee morale and engagement.

External reactions:

Public's perception: Telsa faced a huge public criticism and organized protests. A movement called "Telsa Takedown" emerged, having a profound impact in their stock price.

Passive vs Active Rollbacks:

Passive Rollbacks:

This public criticism and major change in company's regulatory are silent ways to reduce DEI budgets, eliminating dedicated roles and withdrawal from the previous commitments.

This Ambiguity certainly creates risks and indicates that DEI is not genuinely valued. According to the signaling theory, the minority who are undermined are indirectly marginalized and gradually affect their psychological safety net in their workspace. As this practice goes on it weakens, organizational commitment. Passive rollbacks also harm the cooperation reputation.

Active Rollbacks:

The publicly rejecting DEI initiatives, framing them as unnecessary or counterproductive are subsequent for the policy change at Tesla demonstrating an active rollback. Organizational behavior theory predicts swift deterioration in commitment, a sharp increase in turnover, and reduced productivity. Additional this trigger externally social conscious customers, investors, and media.

Impacts on employees and workplace culture:

The passive and active rollbacks are signaling theory to the firm, which directly affects the nature of employees' morale, retention, and their engagement, especially among the minority groups. Passive rollbacks only lead to decreased psychological safety and employee trust which leads to uncertainty. Whereas Active rollbacks are key indicator lack of commitment to the organization's diversity and inclusion, potentially resulting in increasing turnover and challenges in talent attraction.

The DEI programs: Long term Impacts and Strategic Recommendations:

Companies with diverse leadership and hiring effectively using DEI standards are significantly likely to outperform financially an inclusive team's outburst with 19% higher innovation revenue. This act of inclusivity fosters employee trust and safety within the firm, increasing the satisfaction and engagement (Sterndorff, 2024c). In the USA, DEI is a strong signal to indicate its potential hires and customers (Moody, 2023). As most of the employer's DEI committed and 75% of customer's diversity and reputation influences purchase (*Three Quarters of Consumers Say Inclusion and Diversity Influence Their Purchase Decisions*, n.d.-b).

Risks of Scaling back DEI:

Scaling back DEI may seem like a cost saving approach for a short term, evidence shows major drawbacks. As we discussed about the decline in performance and morale. In the real world, without having protocol given that necessity and pool of new talents a standardization is must, without DEI bias can interfere with the decision making, raising legal risks. The perception of fairness would discourage the employees. Indian business leaders highlight that halting inclusion suddenly will drive away the top diverse talent and may view as a negative signal to the stakeholders by damaging the reputation and undermining trust (Phadnis, 2025). Overall maintaining DEI is the key to long-term engagement and improved financial performance in an organization.

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