



# Team Diversity

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## WHAT'S COVERED

In this lesson you will learn how team diversity enhances decision-making and problem-solving. Specifically, this lesson will cover:

1. [The Impact of Team Diversity on Problem-Solving](#)
2. [The Impact of Team Diversity on Innovation](#)

## 1. The Impact of Team Diversity on Problem-Solving

Decision-making and problem-solving can be much more dynamic and successful when performed in a diverse team environment. The multiple diverse perspectives can enhance both the understanding of the problem and the quality of the solution. Experience has shown that team activities and projects that intentionally bring diverse individuals together create the best environments for problem-solving. We can also observe increasingly diverse customers and markets, and that investments in diversity can produce a positive and productive impact on sales and market growth. Diverse leaders from a variety of functions, from across the globe, at varying stages of their careers and experiences with and outside the company have the most robust discussions and perspectives. Diversity is a word that is very commonly used today, but the importance of diversity and building diverse teams can sometimes get lost in the normal processes of doing business. Let's discuss why we need to keep these principles front of mind.

In the *Harvard Business Review* article "Why Diverse Teams are Smarter," David Rock and Heidi Grant support the idea that increasing workplace diversity is a good business decision (Rock & Grant, 2016). A 2015 McKinsey report on 366 public companies found that those in the top quartile for ethnic and racial diversity in management were 35% more likely to have financial returns above their industry average, and those in the top quartile for gender diversity were 15% more likely to have returns above the industry average. Similarly, in a global analysis conducted by Credit Suisse, organizations with at least one female board member yielded a higher return on equity and higher net income growth than those that did not have any women on the board.

Additional research on diversity has shown that diverse teams are better at decision-making and problem-solving because they tend to focus more on facts, per the Rock and Grant article (Rock & Grant, 2016). A study

published in the *Journal of Personality and Social Psychology* showed that people from diverse backgrounds “might actually alter the behavior of a group’s social majority in ways that lead to improved and more accurate group thinking.” It turned out that in the study, the diverse panels raised more facts related to the case than homogenous panels and made fewer factual errors while discussing available evidence. Another study noted in the article showed that diverse teams are “more likely to constantly reexamine facts and remain objective. They may also encourage greater scrutiny of each member’s actions, keeping their joint cognitive resources sharp and vigilant. By breaking up workforce homogeneity, you can allow your employees to become more aware of their own potential biases—entrenched ways of thinking that can otherwise blind them to key information and even lead them to make errors in decision-making processes.” In other words, when people are among homogeneous and like-minded (nondiverse) teammates, the team is susceptible to groupthink and may be reticent to think about opposing viewpoints since all team members are in alignment. In a more diverse team with a variety of backgrounds and experiences, the opposing viewpoints are more likely to come out and the team members feel obligated to research and address the questions that have been raised. Again, this enables a richer discussion and a more in-depth fact-finding and exploration of opposing ideas and viewpoints in order to solve problems.

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## 2. The Impact of Team Diversity on Innovation

Diversity in teams also leads to greater innovation. A Boston Consulting Group article entitled “The Mix That Matters: Innovation Through Diversity” explains a study in which BCG and the Technical University of Munich conducted an empirical analysis to understand the relationship between diversity in managers (all management levels) and innovation. The key findings of this study show that (Lorenzo et al., 2017):

- The positive relationship between management diversity and innovation is statistically significant—and thus companies with higher levels of diversity derive more revenue from new products and services.
- The innovation boost isn’t limited to a single type of diversity. The presence of managers who are either female or are from other countries, industries, or companies can cause an increase in innovation.
- Management diversity seems to have a particularly positive effect on innovation at complex companies—those that have multiple product lines or that operate in multiple industry segments.
- To reach its potential, gender diversity needs to go beyond tokenism. In the study, innovation performance only increased significantly when the workforce included more than 20% women in management positions. Having a high percentage of female employees doesn’t increase innovation if only a small number of women are managers.
- At companies with diverse management teams, openness to contributions from lower-level workers and an environment in which employees feel free to speak their minds are crucial for fostering innovation.
- In an increasingly globalized world, understanding diverse markets and customer needs is essential for success. Teams with diverse cultural backgrounds and market knowledge can anticipate and cater to the needs of wider audiences, expanding reach and market share. A product development team with international members can design features that resonate with global customers, fostering wider adoption and brand loyalty.

When you consider the impact that diverse teams have on decision-making and problem-solving—through the discussion and incorporation of new perspectives, ideas, and data—it is no wonder that the BCG study shows greater innovation. Team leaders need to reflect upon these findings during the early stages of team selection so that they can reap the benefits of having diverse voices and backgrounds.



## REFLECT

1. Why do diverse teams focus more on data than homogeneous teams?
2. How are diversity and innovation related?



## SUMMARY

In this lesson, you learned about the importance of team diversity for effective problem-solving, decision-making, and innovation. You learned about the positive **impact of team diversity on problem-solving**, understanding that the multiple diverse perspectives can enhance both the understanding of the problem and the quality of the solution. A homogeneous and like-minded (nondiverse) team is more susceptible to groupthink and may be less open to opposing viewpoints since all team members are in alignment. However, in a more diverse team with a variety of backgrounds and experiences, the opposing ideas and viewpoints are more likely to come out and be addressed, with members tending to reexamine facts and remain objective. You also learned about **the impact of team diversity on innovation**, exploring research demonstrating that diversity in teams leads to greater innovation, through the discussion and incorporation of new perspectives, ideas, and data.

Best of luck in your learning!

Source: Access for free at <https://openstax.org/books/principles-management/pages/1-introduction>

## REFERENCES

Lorenzo, R., Voigt, N., Schetelig, K., Zawadzki, A., Welpe, I., & Brosi, P. (2017, April). *The mix that matters: Innovation through diversity*. The Boston Consulting Group.

Rock, D., & Grant, H. (2016, November). Why diverse teams are smarter. *Harvard Business Review*, 4(4), 2-5.