Center for Talent Innovation research reveals
vast majority of companies are losing out on innovation
Findings show lack of diversity in senior leadership impacts performance and market growth

NEW YORK, September 25, 2013 – The vast majority of white-collar employees in the United States, 78 percent, work for companies that fail to realize their full innovative potential because their leadership lacks the inclusive behaviors needed to effectively “unlock” the innovative potential of an inherently diverse workforce. These findings are part of the “Innovation, Diversity and Market Growth” report, the first national survey that quantifies the correlation between diverse companies and market outcomes, and were released today by the Center for Talent Innovation (CTI), a leading global talent think tank.

The findings show that innovation draws on diversity in two ways: employees with inherent diversity best understand markets and end-users that companies today are most keen to reach; and leaders with acquired diversity are best equipped to unlock the insights of these employees. At companies that harness both inherent diversity in their workforce and acquired diversity in leadership (“two-dimensional” diversity), employees are 75 percent more likely to have had a marketable idea implemented than employees at companies that fail to harness these drivers.

Publicly traded companies with “two-dimensional diversity” are 45 percent more likely than publicly traded companies lacking it to have grown market share in the last 12 months and 70 percent more likely to have captured a new market.

More:
- The study scrutinizes two kinds of difference: inherent and acquired.
  - *Inherent* diversity describes “embodied” difference—traits you were born with and have been consequently conditioned by.
  - *Acquired* diversity, in contrast, is not who you are but how you act as a result of what you’ve experienced or learned (e.g., cultural fluency, gender smarts, generational savvy)
  - “Two-dimensional” diversity describes leadership that exhibits both inherent and acquired diversity.
- Teams with members who represent the inherent diversity of the team’s target consumer or client are far more likely to understand that target, increasing their likelihood of innovating effectively for that end-user.
- Leaders who have acquired diversity are much more likely to behave inclusively than leaders who lack it. Behaviors include:
  - Ensuring that everyone speaks up and gets heard (63 percent vs. 29 percent)
  - Making it safe to risk proposing novel ideas (74 percent vs. 34 percent)
  - Empowering team members to make decisions (82 percent vs. 40 percent)
At respondents’ companies, 53 percent of leadership is “almost entirely white” or “almost entirely male” and 56 percent of respondents say leaders at their firm fail to see value in ideas that they personally can’t relate to or for which they don’t see a need.

“As rapidly shifting demographics in the U.S. change the face of the consumer, today more than ever before, companies need to understand how to link innovation, diversity and market growth,” said Sylvia Ann Hewlett, CTI chair and CEO. “These findings constitute a new business case for diversity—and a compelling justification for diversifying leadership.”

The report also includes case studies that show how companies use diversity to drive bottom-line results. Companies like Cisco, EY and Time Warner have leveraged the acquired diversity of their leaders to extract innovation from functionally diverse teams. These firms have realized significant revenues from their diversity, as a result.

“It isn’t enough for companies to incorporate diversity for diversity to have impact; companies must take added steps to unlock the multicultural capacity they’ve invested in,” states Lauren Leader-Chivée, CTI president. “By showing how companies go about this—even as they stumble, regroup, and learn from their mistakes—our case studies suggest best practices for industries in all sectors.”


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About the Authors
Sylvia Ann Hewlett is an economist and the chair and CEO of the Center for Talent Innovation, a non-profit think tank where she chairs the Task Force for Talent Innovation, 75 global companies focused on fully realizing the new streams of talent in the global marketplace. For nine years she directed the Gender and Policy Program at Columbia University’s School of International and Public Affairs and is ranked #11 on the “Thinkers 50” listing of the world’s top business gurus. She is the author of 10 Harvard Business Review articles and 10 critically acclaimed nonfiction books including Off-Ramps and On-Ramps; Winning the War for Talent in Emerging Markets; and in 2013, Forget a Mentor, Find a Sponsor (Harvard Business Review Press). Her writings have appeared in the New York Times and Financial Times, and she is a featured blogger on HBR.org. She is a frequent guest on television, appearing on Oprah, Newshour with Jim Lehrer, Charlie Rose, the Today Show and CNN Headline News. Dr. Hewlett has taught at Cambridge, Columbia and Princeton universities. A Kennedy Scholar and graduate of Cambridge University, she earned her PhD in economics at London University.

Melinda Marshall, Senior Vice President and Director of Publications, drives research on sponsorship and innovation at CTI. She is a journalist and editor whose experience ranges from wire service reporting to national humor columnist. She has published eleven books in collaboration, and is the author of the award-winning Good Enough Mothers: Changing Expectations for Ourselves. Her articles have appeared in 18 national magazines, including the Harvard Business Review, Parenting, Ladies Home Journal, and The New York Times. A magna cum laude graduate of Duke University, she earned her Master’s in Human Rights Studies at Columbia University.
Laura Sherbin, Executive Vice President and Director of Research, heads up CTI’s survey research and plays a key role in CTI’s advisory arm, Hewlett Chivée Partners. She is an economist specializing in workforce issues and international development. She is also an Adjunct Professor at the School of International and Public Affairs at Columbia University. She has led CTI research projects including “Off-Ramps and On-Ramps” in Japan and Germany and is coauthor of several Harvard Business Review articles and reports, including The Athena Factor and The Sponsor Effect. She is a graduate of the University of Delaware and earned her PhD in economics from American University.

Tara Gonsalves, Senior Research Associate at the Center for Talent Innovation, assists in conceptualizing surveys and analyzing quantitative data for research projects. She led the statistical analysis for CTI’s “Innovation, Diversity and the Marketplace” project. She graduated from Brown University with an honors BA in Development Studies and Economics and earned an MA in International Education Policy from Harvard University. Prior to joining CTI, she worked as a researcher in India and held a Fulbright Fellowship in Indonesia. More recently she has worked at the Kennedy School of Government and the Institute for Education and Social Policy at New York University.

About the Research
The research consists of a survey, as well as 40+ case studies, Insights In-Depth® sessions (a proprietary web-based tool used to conduct highly facilitated online focus groups) involving 100+ persons from our Task Force organizations, and 60+ one-on-one interviews. The national survey was conducted online in December 2012 among 1,800 (1008 men and 792 women in the U.S. aged 21—62, holding a B.A. degree or more, and working in a white-collar occupation for a company of 50+ employees. 775 respondents work at multinational corporations. Data were weighted to be representative of the U.S. population of university/college graduates on key demographics (age, sex, race/ethnicity, and region). The base used for statistical testing was the effective base.

About the Center for Talent Innovation
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 nearly 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.

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