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Gina-Marie Knorst

The Impacts of Workplace Diversity on Business Success

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Workplace diversity is becoming increasingly important nowadays. This thesis aims to measure whether and to what extent the phenomenon of workplace diversity influences the success of organisations. To this end, the following research question is posed: What impact do gender and ethnocultural diversity in the workforce have on key financial figures and operations of organisations?

A qualitative study on workplace diversity was conducted as a literary review to investigate the research question. It was complemented by the expertise and knowledge of competent experts to make the impact tangible.

The qualitative study showed that both gender and ethnic diversity have a significant impact on a company's organizational structure and especially on its financial success.

Therefore, the topic of diversity has a significant influence on the entire market and its developments and immensely determines the actions of an organisation. Irrespective of their benefit from diversity, companies are driven by various stakeholders such as customers, employees, or investors to pay more and more attention to the topic since the demand for equality is constantly growing.

Keywords	Diversity, Inclusion, Non-Financial KPIs, Integrated Reporting, Gender, Ethnicity, Business Success, ESG

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List of Abbreviations

AAR	Annualised average return
BAME	Black, Asian, and minorities
BOD	Board of directors
BVPS	Book value per share
CEO	Chief executive officer
CSR	Corporate social responsibility
D&I	Diversity and inclusion
DPR	Dividend payout ratio
EBIT	Earnings before interest and taxes
ESG	Environmental, social and governance
HR	Human resources
KPI	Key performance indicator
MS	Market share
POC	People of colour
R/BV	Price to book value ratio
ROE	Return on equity

1 Introduction

1.1 Motivation, importance and objective

Black women are the most underestimated performers in the workplace. They carry a double burden of being oppressed for both their gender and their skin colour and ethnicity (Dixon-Fyle 2018: 15). Thereby, they represent a crucial intersection of two minorities suffering oppression in the workplace - women and ethnic groups. In the 21st century, however, the fundamental question is why, because both minority groups have their individual and unique, distinctive features and expertise that significantly impact the actions and success of organisations.

The main objective of this thesis is to explore this question, as diversity in the workplace can both be a great opportunity and a challenge at the same time. Since relatively few studies examine diversity in the workplace, partly resulting from the low representation of women and POC in management, this thesis focuses on the impact of the higher representation of these two minority groups. Therefore, the research was carried out to link the few existing works of literature on the impacts of diversity on business success to newly gained information about gender and ethnocultural diversity at the workplace. The newly obtained information is of great importance related to diversity in the broad workforce, whereas the existing studies mainly focus on diversity in managerial positions. As a result, it fills a relevant gap in the workforce's diversity as a totality.

The overarching goal is that the outcome of this study will give companies cause to grant further equal opportunities. In this respect, both women and POC deserve equal access to prove themselves and use their talents. Moreover, minorities need to be recognised equally for achievements to alleviate oppression and strive for equal treatment. Beyond that, it serves as a reference point for companies and managers to understand the need to diversify their workforce to leverage the benefits and strengthen the organisation. The thesis also illustrates the prevalence and impact of diversity in all departments of an organisation and shows that it is well beyond a human resources issue.

1.2 Research question and solving approach

By considering a variety of influences of workplace diversity on businesses, the main research question of the thesis is: *What impact do gender and ethnocultural cultural diversity in the workforce have on key financial figures and operations of organisations?*

The thesis is thematically divided into two content topics to answer this complex question. On the one hand, a first subordinate question addresses how companies use financial KPIs to measure their financial success. On the other hand, a second subordinate question investigates the emergence, relevance, and types of diversity in the workplace. Clarifying these two sub-topics creates a nexus of both topics that captures the influences of diversity and details how a diverse workforce of gender, ethnicities, and cultures can influence organisations from different approaches. Both direct and indirect influences are measured, explained, and evaluated.

Therefore, the structure of the thesis first introduces definitions and explanations for specific financial KPIs that will be evaluated later on. It then introduces the importance of non-financial KPIs that derive diversity as one of their kind and illustrates how they operate. After clarifying the meaning, importance, and origin of diversity in the workplace, a critical approach is used to identify benefits and challenges arising. The following part measures the previously defined financial KPIs with different levels of representation of women and POC. In addition to explaining the changes, various measures to promote and maintain diversity in the workplace are identified. Finally, proficient experts from nine different industries are used to illustrate the secondary research with real-life examples and insights.

Concerning the established nexus between the two substantive topics, the theis conducts secondary research based on various studies by McKinsey to examine the correlation in concrete financial ratios. Additional studies by Deloitte, PwC and the Credit Swiss Group supplemented the outcomes. Furthermore, primary research was conducted on gender and ethnocultural diversity, and therefore, the perceptions of experts serve as an additional source.

1.3 Geographical and temporal limitation

Examining the MSCI ACWI index of global large and mid-cap stocks, which covers 85% of the capitalisation of developed and emerging markets, it is evident that companies are still struggling with female representation. While most boards are still male-dominated, more than a fifth of them even have all-male boards. However, a small number of about 20 companies can boast a precisely balanced representation, while seven even feature a female majority. According to Eastman (2017), it is striking that the majority of companies with at least three female board representatives are based in Western markets, while an exclusively male board is more likely to be found in Japan, South Korea, or China. While featuring an all-male orientation in earlier years and now shifting to a female-friendly approach, Western nations can best show off KPIs from both male-dominated and gender-balanced eras to illustrate the importance of a diversified workforce and its impacts. In the EU, there are no longer any MSCI ACWI companies with exclusively male BOD, while the number of U.S. companies has declined to 15 out of 587. As two of the largest economies, the European Union and the United States of America serve as indicators of gender diversity in this thesis. Consequently, this geographic scope is additionally applied to ethnocultural diversity (Eastman 2017:3).

The trend to diversify a work team has not always been a common approach, especially not before the globalisation and internationalisation of the world. Following the latest trends to include several ethnicities into one team and increasing the women's quote meets not only social and ethical requirements but also brings several advantages to a company's success. Therefore, the temporal limitation of the thesis focuses on the current century by reviewing secondary literature from the last 15 years and primary research from 2021.

2 Methodological approach

2.1 Data collection and sampling

The thesis and that data collection follows a qualitative research approach conducted with the help of descriptive reporting, description, and interpretation. Furthermore, the methodology of the thesis is composed of two research strands and thus follows a mixed-methods approach, which divides the thesis into two parts from a strategic angle. On the one hand, a literature-based approach clarifies appropriate definitions and explanations for technical terms used to define business success and workplace diversity. On the other hand, an interview-based approach complements the secondary collection by gathering primary data. Both strands are finally merged to display the correlation between workplace diversity and organisational success by illustrating shifts in different KPIs. The overall objective of this structure is to assess the research question from two perspectives by combining secondary literature with new findings from current company examples. Thereby, newly researched primary data is of great importance as there are few studies on the topic. The importance of diversity in the workplace has only received increased attention and measurement in recent years. Furthermore, the research approach is augmenting inductively, whereby generalisations can be made through the evaluation and results of the expert interviews.

2.2 Literature selection and description

The selection process and the research itself were developed using two parallel approaches. The definition and explanation of the technical vocabulary as the first part required different approaches and criteria than the second part, which deals with the correlation between diversity and business success.

<u>Section 1: Technical vocabulary</u>

This section exclusively focuses on defining and explaining the measurement of business success and diversity in general and in the workplace to create a body of knowledge for the reader. This base is necessary to understand the second part, where these terms are used, by showing connections and relations. Since the definitions are permanent and do not change or adapt over time, the time horizon did not play a particular role in this section. There was no specific minimum year after which a source is discarded and no longer considered up to date. However, specific inclusion criteria were defined, such as journals, books, studies, online articles, and literature in both English and German language. Besides, exclusion criteria comprised blogs, videos, or seminar papers due to the lack of scientific proofs and subjective criteria.

The definition of the criteria enabled the researcher to look into online sources to find appropriate definitions for financial KPIs. As a result, Investopedia was chosen for definitions, as it serves as an online platform in the format of a dictionary that is active in Finance and Investing. To verify the definitions and formulas collected, they were compared with other websites to ensure that they were valid. However, the information provided by Investopedia was eventually used. As this part only provides the knowledge needed to understand the second part, it does not answer the main research question. Nevertheless, it is necessary to fully understand the solving approach.

Concerning the meaning of diversity, the researcher used various written literature both in the format of online and cover books. For this purpose, the online shared library MetCat of Metropolia UAS, Haaga Helia UAS, and Laurea UAS provided access to international e-resources. Moreover, the campus library of Metropolia Business School in Myyrmäki provided access to the cover books and journals. After getting the first insight, the snowball technique was used to select samples from different sources that are related.

The SAP Integrated Report (2018) was chosen as a guide and introduction to diversity. The report pointed out the interactions and the effects and consequences of how non-financial KPIs under which diversity is included influence the company's success both directly and indirectly. The choice was mainly motivated by the fact that SAP is a prime example of a company that has already been able to prove the correlation in numerical terms and therefore serves as a global benchmark. The context of ESG data was further explained to classify diversity and its ever-increasing importance. As ESG is an acronym for environmental, governance, and social, diversity in the workplace is within its framework as it addresses current social demands. Since ESG in the form of diversity makes companies more attractive to employers, customers, and investors and helps them perform better, various articles were used as a source to prove evidence. "Why and How Investors Use ESG Information: Evidence from a Global Survey" by Amel-Zadeh and Serafeim (2018), "ESG Impact on Market Performance of Firms: International Evidence" by Sahut and Pasquini-Descomps (2015) and "Every Little Helps? ESG News and Stock Market Reaction" by Capelle-Blancard & Petit (2017) provided the primary sources.

The book "Managing workplace diversity and inclusion: a psychological perspective" by Hays-Thomas was a valuable source for dismantling the concept of diversity into different dimensions, namely gender, race, religion, and sexual orientation. Moreover, it gave complex explanations about the advantages of a diverse workforce that indirectly influence the company's success by enhancing HR processes, innovation, and reputation concerns. However, the literature could only provide an information base and background knowledge, which had to be combined and processed with more specific expertise and subject-specific literature.

Therefore, the book "Managing diversity: toward a globally inclusive workplace" by Mor-Barak (2016) and the article "Walking the Talk on Diversity: CEO Beliefs, Moral Values, and the Implementation of Workplace Diversity Practices" by Ng and Sears (2018) were informative for the indication of supporting measures for a diverse workforce in order to benefit from its full potential.

Besides, Mor-Barak's (2016) book and the article by Ng and Nelson (2012) helped understanding why and how diversity contributes to strengthening financials. While Mor-Barak examined the dimensions established by Hofstede to understand ethnic and cultural diversity, Nelson examined the impact of gender diversity and the different characteristics of women and men that affect finances and associated decisions.

However, discussing the totality of diversity would be either too broad within the framework of a bachelor thesis. However, the article "Global recruiting trends 2018" by Spar et al. (2018) pointed out the most important species – gender and ethnic diversity – which were therefore set as a focus scale for this thesis.

The 2009 UNESCO World Report supplemented the written literature by understanding the origin of migration and diversity and an overview of labour migration movements. Since this provided the origin in general, and not yet why and where the need for diversity in teams arises from, additional sources had to be consulted. Therefore, the books "The evolution of workplace diversity" by K. McCormick (2007) and "The effects of diversity on business performance: Report of the diversity research network" by Kochan et al. (2003) were chosen as they describe the need for diversity in workplaces in more detail.

As indicated by UNESCO, there is rising importance for diversity in the workplace. A study by Eickermann-Riepe (2019) was critically analysed to elaborate the reasoning. The results indicated that the demand and need for diversity arise through younger generations. The rationale was additionally underlined by ongoing education and developments of young adults by considering various exchange programs offered by the European Union.

Moreover, rising demand and a requirement to ensure diversity are set by quotas and regulations. The geographical reach is centred at both the European Union and the United States of America, and therefore respective regulations were demanded. On the one hand, the reports "Quota Regulations of Gender Composition on Boards of Directors" by Smith (2014) and "Gender quotas in a European comparison: Tough sanctions most effective" by Arndt and Wrohlich (2019) established the foundation for regulations, quotas, and sanctions for the EU by both providing information and visual data. On the other hand, the "Senate Bill No. 826" provided by the United States, as well as the articles "States are leading the Change to Corporate Boards: Diversify! 2020" by Hatcher and Latham (2020) and "What does M/F/D/V stand for at the End of a Job Description?" by Mayhey (2018) provided similar information on the issue in the USA.

Section 2: Evidence of correlation

The second section exclusively provides evidence for the correlation between the defined financial KPIs and general organisational issues and workplace diversity. In addition to that, it ultimately serves to answer the research question. As the topic of using diversity in the workplace has only gained popularity and attention in recent years and is a constantly changing and adapting issue, a time limit for sources is set. Thus, the following inclusion criteria of a maximum age of 15 years for sources and the usage of journals, books, and studies in both English and German language were chosen. Moreover, literature from 2006 and earlier and blogs, videos, and seminar papers were rejected as exclusion criteria due to outdated data and lack of scientific proof.

First of all, the thesis focuses on a critical perspective on diversity, evaluating both positive and negative potential impacts. Once again, those impacts are non-financial and have an indirect influence on business success. SAP's (2018) integrated report was referred to again to illustrate how indirect influences work by showing that the alignment of the newly set standards of non-financials is crucial for business success. A large number of both online sources and books were reviewed to capture all potential impacts. However, a study by Catalyst (2020) was used as the primary source of information. The global non-profit organization set itself to build workplaces and better work conditions for women and therefore elaborated a broad range of positive impacts. Again, the snowball technique was used, which lead to new information through a re-evaluation of the stated sources. Thus, the sources by Reynolds (2019), Martin (2014), Microsoft (2019), Kerneder (2016), and Hofhuis et al. (2015) originated and eventually expanded the portfolio of potential impacts. This part of the literature has only answered the first part of the research question regarding the impact on organisational operations. However, companies also indirectly benefit from these effects from a financial perspective, as improved structures lead to improved financial results.

For the numerical evidence of the impact of gender and ethnocultural diversity, different studies were evaluated and used to illustrate the change in eight determined financial KPIs of business success. For each study, the geographical reach was validated to make sure it is compliant with the scope of this thesis. Besides, the publishing companies of the respective studies were reviewed to measure the scientific background and reliability. The studies contributed to answering the second part of the research question on the impact on financial performance by providing concrete figures and ratios.

The primary publisher was the global management and strategy consulting company McKinsey, ranked as one of the top consulting organisations worldwide. Therefore, it was classified as reliable and trustworthy. McKinsey has been researching the impacts of workplace diversity from 2014 onwards, which resulted in renewed studies with the additional, newly acquired information. Both their 2018 study "Delivering through Diversity" and their 2020 study "Diversity wins – How inclusion matters" were researched by Dixon et al. In particular, they formed the foundation of the impacts of gender diversity on the one hand, and ethnocultural diversity on the other hand. The main economic zones they focused on were the European Union and the United States of

America by representing more than 60% of the sampled companies. Moreover, the sample size indicated 1,007 companies in 2018 and 1,036 in 2020. Concerning the sectors, the studies were looking into seven out of 11 industries worldwide, such as financial services, heavy industry, healthcare, technology, retail, logistics, and energy. Hence, it provided a broad picture of the economy, which was a decisive criterion for the choice of the McKinsey studies. As a methodological approach, McKinsey (2018) used a quartile system by which companies were grouped in quartiles based on their diversity efforts. The 1st quartile represents companies with a high proportion of women, while the 4th quartile represents low gender diversity efforts.

The McKinsey findings were supported by the German study "Diversity is good for growth - Wie Unternehmen durch inklusive Kulturtransformation ihre Zukunft sichern - ein Blick auf die Immobilienbranche" by Eickermann-Riepe et al. (2019). The publishing has been conducted in cooperation with the auditing company PwC. It is part of the "big four", an oligopoly of the four largest auditing firms globally, which created reliability, credibility, and accuracy. In general, this study refers to the real estate industry. However, internationally operating companies from various industries have been taken as a benchmark. Moreover, the sources have been reliable firms such as McKinsey, Deloitte - part of the Big Five of auditing-, the Boston Consulting Group - part of the Big Three in consulting - and Harvard Business Review, one of the most influential management magazines published by the renowned Harvard University. Therefore, the results of the study could be inductively generalized. The outcomes were used to explain and illustrate the impact of D&I in general on business success.

A crucial source for the impacts of gender diversity and a higher female representation was the study "The CS Gender 3000: Women in Senior Management" by Dawson et al. (2014), published by Credit Suisse Group. The CS Group is one of the largest globally operating companies for financial services companies headquartered in the Swiss capital of Zurich and therefore forms a reliable source. Within the framework of the study, CS Group has looked into the 3,000 largest globally operating companies, which is consistent with the geographical reach of this thesis. The renewed version of the study from 2016 proved the evidence once again and supplemented essential findings.

As specific evidence for the impacts of ethnocultural diversity, the article "Racial equity in financial services" by Diaz et al. (2020) was accessed. The reliability and accuracy are once again given through the publishing company PwC and the publishing date, which is only one year before the publication of this thesis. The article is based on the foundation that the lack of POC is harming a company and that changes related to higher employment of POC can enhance organisations' performances. The data used was derived from almost 40 global companies worldwide in the financial services industry.

Supplementing the findings of the beforementioned studies and articles about workplace diversity, the article “Does Diversity Pay? Race, Gender, and the Business Case for Diversity” by Herring (2009) was evaluated. It was published in the American Sociological Review, which is recognised as a reliable source as an academic journal published by the American Sociological Association and SAGE Publications. The outcomes have been based on 1,002 US American companies and therefore represent part of the geographical scope of this study.

The explanation for the enhanced performance is explained due to several behavioural traits identified in the article "Beyond the Glass Ceiling: Does Gender Matter?" by Adams and Funk (2012). Moreover, scientific proof for improved performance due to gender diversity was given through the sources "Would women leaders have prevented the global financial crisis?' Teaching critical thinking by questioning a question" by Nelson (2013) and again the article by Adam and Funk. Lastly, the dimension framework by Hofstede and elaborated by Mor-Barak's was applied for the rationale of ethnic diversity. The authors of this scientific article are professors at universities within the geographical scope of this work.

However, diversity only pays off when conducted correctly. Therefore, the study “Waiter, is that inclusion in my soup? A new recipe for improving business performance” by Deloitte (2020), part of the consulting Big Five, served as a reliable and contemporary source. It serves as a basic framework which was further established through the articles “Walking the Talk on Diversity: CEO Beliefs, Moral Values, and the Implementation of Workplace Diversity Practices” by Ng and Sears (2020), “The Impact of Method, Motivation, and Empathy on Diversity Training Effectiveness” by Lindsey (2014) and “Diversity Networks: Networking for Equality?” by Dennissen et al. (2018). All three of them are contemporary and consistent with the geographical area. Moreover, they were published in renowned business magazines – the Journal of Business Ethics, Journal of

Business and Psychology, British Journal of Management – and therefore serve as reliable and grounded sources.

The report "Big Business Bias - Employment Discrimination and Sexual Harassment at Large Corporations" by Mattera (2019) demonstrated potential financial damage caused by non-compliance with diversity issues. The report was published by Good Jobs First, a policy resource centre focused on promoting corporate responsibility, economic development, and smart growth. Therefore, it is compliant with the geographical reach of this thesis and covers discrimination and harassment for both gender and ethnic diversity.

2.3 Qualitative expert interviews

Expert interviews are one of the most significant and most commonly used methods of empirical social research. They aim to extract expert knowledge from different individuals with specific expertise (Bohnsack et al. 2003: 57).

In this process, experts are not interrogated for general knowledge but instead for specific insider information, which only the interviewed expert has at his or her disposal (Bogner et al. 2005: 16). After the interview, the interviewee's expressed knowledge and unconscious logic in expert action must be reconstructed. For this reason, this type of empirical social research is also referred to as a reconstructive research method (Bohnsack et al. 2003: 58). According to Bortz and Döring (2006: 315), expert interviews are also classified as various individual qualitative surveys, which define a collective term for open and partially standardised surveys on a given topic (Bortz & Döring 2006: 315).

Three main characteristics fundamentally shape expert interviews. Their main prerequisite is that the interviewee can be classified as an expert in the specific subject area in question. Moreover, the focus of the research is not on the interviewees as persons but on their knowledge base and expertise. The last characteristic to be featured is the high level of pragmatism in interviewing, which is carried out with the help of guidelines as a structuring and steering function and selective data evaluation. For this reason, expert interviews are also classified as semi-structured interviews (Flick 2004).

According to Scheu et al. (2015: 9), the surveyed knowledge is classified into two categories. On the one hand, experts can contribute with so-called contextual knowledge, which is defined as specialised knowledge about a particular subject area that the expert has acquired through professional and extramural activity. On the other hand, the so-called operational knowledge or the internal expertise acquired in the company and during the career is of great importance (Scheu et al. 2015: 9). In the following part, the procedure of the expert interviews and criteria for quality assessment are illustrated and discussed.

2.3.1 Methodological steps

Figure 1 illustrates the individual procedure of experts' interviews, which had to be carried out from the preparation to evaluate the data.

Figure 1. Methodological steps for the conduction of expert interviews (self-created)

To ensure that the expert interviews were conducted transparently and consistently while avoiding any loss of data, it was essential to follow these four steps. Furthermore, it was essential to comply with the following defined quality criteria.

2.3.2 Qualitative assessment

The evaluation of empirical social research methods based on specific quality criteria was a methodological component of the research to ensure quality. In quantitative research, three specific criteria have been developed that assess the methodology of the research. Quantitative research is generally based on validity to determine whether the research measures what was intended to be measured, reliability, which checks whether the research produces the same results after several passes, and objectivity, which ensures that there are no unintended influences by the researcher. In contrast to quantitative research, no generally valid quality criteria have yet been enforced for qualitative research. Therefore, a proposal for quality assessment has been developed, consisting of transparency, intersubjectivity, and range. However, these criteria are a modified version of the quantitative criteria and thus pursue similar interests and goals.

Transparency

Qualitative research demands adequate documentation and exposition of the step-by-step research process due to the multitude of research decisions involved. In this sense, a picture of the entire research process was drawn. Beginning with the research question's motivation and the chosen procedure, the composition of the study participants had to be clarified and neatly summarised. The researcher refuted how the data was analysed and interpreted as a further step. Considering that the emerging pool of information was conducted through qualitative research, it was necessary to note that it represents a social reality subject to constant change. As a result, one may obtain different research results from time to time. Further, an inductive approach was applied to generalise the specific opinion of one expert to the industry as a whole. The step-by-step explanation ensured the quality criterion of transparency in 2.4.

Intersubjectivity

Intersubjectivity generally indicates an observation that must be equally recognisable and comprehensible to every observer. For this reason, it was essential for this qualitative research to plausibly show the evaluation of the data and the explanatory conclusions and correlations. Beyond that, the qualitative results had to be critically reflected upon and classified by the researcher. Therefore, the term "reflected subjectivity" can synonymously be used. Thus, qualitative social research takes a step further than quantitative research, which only includes and discusses the evaluation of statistically developed data. It was necessary to describe how the researcher can influence the data collection or the attitude towards the discovery process to ensure that this quality criterion is met. In the context of this work, intersubjectivity was achieved by conducting the interview in written form rather than orally in the researcher's attendance. Without the researcher's presence, it was possible to ensure that the interviewee did not make any statements of favour that supported the secondary literature previously obtained but presented his or her expertise objectively.

Range

In contrast to standardised forms of research, qualitative social research is characterised by a relatively small number of relevant individual opinions. Therefore, the researcher was compelled to show whether and to what extent generalisations were possible. Furthermore, the theoretical relevance and representativeness must have been determined, which allowed the practical relevance of the research to be adequately determined. The generalisations in this study are based on the fact that all interviews came to the same overall conclusion, which is also linked to the fact that a larger sample is unnecessary (Flick et al. 2004).

2.4 Procedure of the conducted expert interviews

To comply with the quality criteria presented in 2.3.2 and thus to ensure transparency and comprehensibility of qualitative research, the following part illustrates the research process step by step as described in 2.3.1.

Initially, the researcher planned to conduct face-to-face interviews. Due to the current pandemic situation, these would have been conducted using video transmission software, such as Zoom or Skype. Due to time constraints, however, most of the experts requested a written interview, and the researcher, therefore, decided to conduct all interviews in a written format to ensure consistency. Consequently, the interviews can be classified as structured, as the questions were both designed and scheduled in advance, indicating that all participants faced the same questions in identical order. Nevertheless, this approach is beneficial because it avoids the researcher's presence and thus creates intersubjectivity, which has a positive effect on the validity of the results. Moreover, the respondent has the flexibility to answer the questionnaire whenever possible, which increases motivation and may positively impact the level of detail.

2.4.1 Definition of the term "expert"

The first step is to define the term expert within the framework of this thesis. In general, an expert can be described as a person with an accumulated knowledge on a specific topic. Therefore, this research aimed at experts with excellent knowledge of D&I. At first glance, the research topic may imply that interviewees are required to be active in the HR department to qualify as experts. However, the impacts of workplace diversity go far beyond this department and pose a challenge for the entire company. All departments need to be engaged to create an inclusive environment throughout the company, which results in a significant target area for identifying experts. Moreover, value can be added to the research by looking into different departments and positions to get insights into different perspectives.

2.4.2 Identification of experts

The expert identification was carried out based on various criteria. First of all, the researcher identified companies in the EU and the USA to comply with the geographical scope. Secondly, the identification was focused on companies that display great diversity efforts. Furthermore, the researcher intended to study different industries and companies of different sizes. A wide range was essential to avoid mistakenly selecting a specific type of company as a prime example, which does not truly reflect the market. After the organizations themselves have been extracted, the researcher took a deeper look into the organisational structures to further identify suitable managers from different departments to draw a big picture of knowledge. To ensure a broad knowledge of the area under study, leaders should have an excellent knowledge of D&I and pursue this avocation outside of work as a kind of passion. Alongside the quality criterion of intersubjectivity, the researcher and interviewee must not know each other personally.

Table 1. Information about interview partners (self-created)

Interviewee	**Position**	**Industry**
Manager A	CEO	Public Transport
Manager B	CEO	IT
Manager C	Investor Relations	Equipment and Manufacturing
Manager D	D&I Manager	Clothing Retail
Manager E	HR Manager	Enterprise software
Manager F	Communication Executive	Financial Services
Manager G	CEO	Consulting
Manager H	D&I Manager	Law
Manager I	Senior Director	Delivery

Table 1 lists the interviewees and their position and the industry in which they are active. For data protection reasons, all interview partners wanted both their name and the company's name to be made anonymous. Therefore, they are indicated with letters from A to I. As can be seen from the table, the interviews open up a broad insight into several positions and industries, allowing a picture of the broad economy to be drawn.

2.4.3 Preparation of interviews

The preparation phase was divided into two areas concerned with the drafting of the questionnaire and the contacting of the experts.

Drafting of questionnaire

The questionnaire was initially designed for conducting oral interviews and was therefore divided into three phases of the interview opening, the central part, and the interview closing phase. Later on, it was slightly modified to meet the requirements of a written interview based on a total of 14 questions. Due to the new format of the interview, the pre-test was also adapted. Instead of conducting a test interview with fellow students as initially planned to find possible misunderstandings or difficulties, the questionnaire was presented to ensure a straightforward design as well as a clear understanding. In general, the questionnaire structure followed the main topics of the thesis to cover all of them by experts and to analyse and substantiate them with professional competence. However, it was also intended to gain new insights which have not yet been covered by secondary literature.

To start the opening phase with simple "introductory questions", the interview partner was asked about the basic meaning of diversity. Therefore, questions one and two were elaborated to determine the interviewee's view on diversity and its importance. The primary purpose of this phase is to introduce the interview to the topic slowly.

Subsequently, the main phase followed, congruent with the thesis, focused on the challenges and advantages of diversity and supporting measures. The purpose of questions three to 11 is to find out about the diversity-related topics within the respective companies in detail. Both advantages and challenges were discussed to identify the full extent of the influences with the desired aim of confirming the secondary research with primary data from actual companies. Similarly, it was intended to support the research with examples from actual companies and confirm the effectiveness of diversity measures when it comes to measures.

Moreover, question 13 required experts of the respective companies to provide data on the gender and ethnic composition of their workforce. The purpose of collecting these metrics was to ensure that the companies actually focus on and support diversity and thus can capture its benefits. The ratios are listed in the second appendix.

The interview-closing phase gently ends the interview to avoid abruptness, including two somewhat generalized questions. Each interviewee was asked whether the previously listed benefits outweigh the detriments or vice versa to identify the nature of the impact of diversity. Ultimately, the final question was intended to provide a future outlook and get the expert's assessment of whether diversity is necessary to make companies viable for the future or just wishful thinking.

Contacting of experts

The researcher decided to use LinkedIn, a web-based social network created to establish new and development of existing business contacts, to get in contact with the potential interview partners. The significant advantage of LinkedIn is that it creates trust and, above all, transparency. On the one hand, the researcher was able to recognise the expert's expertise at a glance through listed experience, career paths, publications, and awards. On the other hand, the platform also enabled the expert to get an immediate picture of the researcher, creating trust. As a result, the expert showed more willingness to participate and provide confidential data. Through a complete and authenticated profile, it was evident that the researcher was not an impostor who was dubiously handling the disclosed data, which was required due to discretion and secrecy. For this reason, neither the manager nor the company is mentioned by name in the thesis.

The invitations were sent out over approximately two weeks, from 01.03.2021 to 15.02.2021. As it was not known in advance how high the response rate would be, the invitations were sent out in stages. The first mailing of 20 invitations was sent on 01.03.2021 and aimed at people in the highest position of large-cap companies. As the first round attempted to reach exceptionally high positions, a low response rate was expected. These expectations became a reality as only one expert could agree to the interview due to time constraints. The second round, which contained 20 invitations within the departments of investor relations, HR, financials, and CEOs, was more successful. Eight out of 20 experts have been willing to participate in an interview to help with their expertise. Moreover, the third mailing was launched on 15.03.2021, which contained only ten invitations. This last mailing aimed to reach a total number of ten experts. Since two of the last ten invitations were confirmed, but the respondent did not get in touch afterward, the final number of experts added up to nine. However, nine interviews served as a solid foundation of expertise, and thus the mailing was terminated. As a result, the researcher recorded a response rate of 18%. Even this seems relatively low, the qualitative data collected within these nine interviews was sufficient as they all generally indicated similar results and findings. Thus, the researcher was not forced to look for other experts as their answers would not lead to entirely contradictory results. The assumption that nine interviews are sufficient was confirmed.

Moreover, the experts sent their confirmations for participation in the interviews within a timeframe of one month - from 01.03.2021 to 31.03.2021. The completion of the questionnaires was time-consuming as only one was returned in the first three weeks. As a result, about 88% of the questionnaires were returned in the final week.

2.4.4 Evaluation of data

The data obtained through the interviews were analysed using the five-step qualitative content analysis according to Meuser and Nagel (2009), which focuses on the broad content obtained rather than detailed wording.

The first step is concerned with the paraphrasing of the outcomes. Due to the changed interview format from oral interviews to questionnaires, this step was instead convened with paraphrasing the data into a shared document. The information was broken down into individual sections of text according to thematic areas and reproduced in the researchers' own words as questions were often jointly answered.

The following step was associated with the naming of thematic areas. Thereby, the subdivided individual sections were given titles, and those titles were clustered accordingly with the aim of thematic grouping.

In the third step, the evaluation of the thematic sections was carried out. The purpose is a detailed comparison of text passages from different interviews on the same topic with thematic categories.

The fourth step included analysing and conceptualising the newly gained data by incorporating the empirical research gained beforehand. The categories formed are compared with thematically corresponding empirical studies whereby generalisations are first limited to the material at hand.

In the final step of theoretical generalisation, interpretations have become more detailed and profound. At this point, derived conclusions were confirmed, as they have been supported by the common opinion of several experts and are thus considered to be generally valid. The results were evaluated inductively, which allowed general statements to be made based on the interview results (Meuser & Nagel 2009).

2.5 Importance of primary research

The great importance of the primary research conducted in interviews was attributed to two concrete reasons. Firstly, the interviews intended to provide an insight into organisational structures to illustrate that diversity is not just a theoretical constructor with an ethical or social background but is used by companies to achieve financial and organisational benefits. Secondly, the information obtained complemented existing findings. The studies used to determine the impact on financial ratios are based on the representation of women and POC in leadership positions. However, the general workforce was left out. Therefore, the interviews were designed to identify diversity and its impacts at all hierarchical levels. Therefore, the latter reason was the most important one, as it described the research in a completely new and untapped area that other institutions have not yet explored. Thus, the primary data helped fill an information gap.

3 Evaluation of business success

Companies can use various financial metrics to measure profitability and overall financial performance. However, this thesis focuses on a selected handful of metrics used in the secondary literature to measure the impact of diversity on financial performance.

Annualised average returns (AAR)

AAR are defined as the returns generated by investments over one year. Therefore, they indicate the annual amount investors are likely to receive and the effectiveness of investments. AAR are illustrated as a geometric average and indicate the potential gain if the annual return is compounded over time, disregarding price fluctuations or other adverse changes. In the long run, they are more valuable as an estimation tool than annual standard returns, as the latter only take into account a specific year.

$$AAR = (1 + Return)^{\frac{1}{\mathrm{N}}} - 1 \quad \text{(I)}$$

AAR are calculated using the formula I. As indicated, the calculation is based on the returns and holding period of an investment (Chen 2020).

Profit margin

The profit margin is an essential ratio for measuring the profitability of a business by dividing profit by sales. Since it is expressed as a percentage, it indicates the amount of profit made on each dollar of sales by illustrating the relationship between profit and sales. It is an exciting tool for investors to assess financial stability, management capabilities, and growth potential. Moreover, the profit margin is used to have a consistent ratio to compare industry-wide profits over time, as they often vary based on company size or main activities (Segal 2020).

$$Profit\ Margin = \frac{\text{Profits}}{\text{Total revenue}} * 100 = \frac{\text{Total Sales} - \text{Total expenses}}{\text{Total revenue}} * 100 \quad \text{(II)}$$

When referring to value creation processes in this thesis, the profit margin formula II is used to show how profitable an organisation has been over a certain period of time.

Earnings before interest and taxes (EBIT)

The EBIT provides financial information on the profitability of a company. It is calculated by subtracting expenses such as debt interest and tax liabilities from total turnover. Additionally, the metric describes the profit a company generates from its primary activity, excluding external variables such as tax charges or capital structures. The EBIT margin is essential for organisations as it indicates whether they can pay debts and finance operations. Furthermore, it is interesting for investors to compare companies in different tax situations and companies with different capital structures (Murphy 2020).

$$EBIT = Net\ Income + Interest + Taxes \text{ (III)}$$

When referring to profitability in this thesis, the financial indicator EBIT is used calculated with formula III.

Return on equity (ROE)

The ROE is a crucial figure for a company's profitability toward the shareholders' investment. ROE is calculated by taking the net profit for the year and dividing it by the equity capital. Moreover, this financial ratio indicates the ability of an organisation to convert the shareholders' investments into profits and thus determines their return. In addition to intermarket comparisons, ROE provides information on the equity's internal management of financing corporate growth.

$$Return\ on\ Equity\ = \frac{\text{Net Income}}{\text{Average Shareholder's Equity}} \text{ (IV)}$$

Ratio IV is used by both current and potential investors to assess the future profitability of an investment (Fernando 2020).

Price-to-book value ratio (R/BV)

The price-to-book value ratio is a helpful measurement for comparing the market capitalisation of different companies, as it assesses the valuation of an organisation to its book value. In simple terms, it represents the ratio between the current market price and the book value.

$$R/VB\ Ratio\ = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}\ \text{(V)}$$

Investors are intrigued by the R/BV ratio to identify prospective investments, especially those that promise potential growth at a reasonable price. R/VB is calculated using the mathematical formula V (Fernando 2020).

<u>(Dividend) Payout ratio (DPR)</u>

The DPR ratio is a financial metric that indicates the proportion of a company's profits distributed to shareholders in dividends and, therefore, percentages of its total revenues. The ratio provides information on the relation between the money amount distributed to shareholders and the amount kept internally to reinvest or pay off debt. Additionally, the DPR provides information on the sustainability of dividend programmes and the associated satisfaction of shareholders.

$$DPR\ = \frac{\text{Total dividends}}{\text{Net income}}\ \text{(VI)}$$

Using formula VI, the DRP can determine the company's current maturity stage. On the one hand, start-ups or entrepreneurial companies tend to reinvest most of their money, leading to a low or so-called zero payout ratio to grow and expand. On the other hand, established companies are seen as safe investments as they pay out their dividends regularly (Hayes 2020).

<u>Innovation and innovation rate</u>

While innovations represent new introductions to the market, the innovation rate is defined as the frequency with which novelties are launched. The metric is measured by the percentage of sales generated by novel products out of total sales within a given period.

$$Innovation\ rate = \frac{\%\ of\ sales\ of\ novalties}{\%\ of\ total\ sales} = \frac{number\ of\ noval\ products}{number\ of\ total\ products}\ \text{(VII)}$$

Therefore, the innovation rate is a standard measure of the innovative strength of an organisation and can be calculated in different procedures using formula VII (Putz 2018).

Market share

The market share relates to the share of a company's total sales generated to those of the entire market in which it operates. The ratio provides a general understanding of the company's size to the market and competitors and is calculated using formula VIII.

$$MS = \frac{\text{total sales of organisation}}{\text{total sales of market}} * 100 \text{ (VIII)}$$

The market share is an essential metric for investors to monitor fluctuations that are potential signs of changes in the relative competitiveness of an organisation. For example, an organisation that can increase its market share will most likely also increase its sales faster than its competitors. Therefore, increases in market share allow for more significant scaling of operations and improved profitability (Hayes 2020).

Non-financial indicators

Within the context of this thesis, different non-financial indicators are used to measure the success of an organisation numerically. On the one hand, total sales indicate how well a company can distribute its products and services to customers. On the other hand, the size of the customer base can depict the magnitude of the potential sales. Additionally, satisfaction measurement is used for both customer and employee satisfaction. The thesis thus focuses on customer satisfaction and the degree of meeting customer's expectations. Furthermore, overall company performance and employee satisfaction are of great importance.

4 Importance of non-financial KPIs

At first glance, it may seem that non-financial KPIs are of little importance for companies' financial success, as they can only survive if they make a profit or at least not a loss. In this way, the focus is only on financials, which are not the only success factor.

Success fluctuations often cannot describe different events within an organisation with financial information alone. Of course, these indicate the extent to which a particular event affects the organisation as a whole, but financial KPIs alone cannot describe why the effects occur. Therefore, non-financial KPIs are of great importance as they are required to be used as a reference point for describing financial data. Simply put, financial KPIs cannot represent a company's processes and results on their own, but only with the help of non-financial KPIs.

In general, non-financial KPIs explain how companies can enhance their financial metrics by modifying internal processes, such as HR and diversity activities and focusing on strategic goals instead of simply saving costs or selling more (CGMA 2020).

4.1 Non-financial KPIs in the context of integrated reporting

Integrated thinking accompanied by integrated reporting is a relatively new approach that has taken root in the last decade. Based on integrated reporting, companies have realised the importance of focusing beyond financial figures to achieve success by reporting non-financial factors.

By definition, an integrated report bundles up different kinds of reporting by including both financial and social or environmental capitals. Doing so links these different approaches together to show their interdependence and thus the value they create for the company. It is beneficial for companies and their employees by providing a better understanding of the organisation as a whole and how profits are generated and for a wide range of stakeholders who gain a better insight into the company's internal (value-creating) processes.

The integrated report requires that causalities be established to have a clear correlation demonstrated in financial figures. The core principle here is to improve the company's financial figures with the help of non-financial KPIs and intangible assets, which means that the influence of a particular non-financial KPI can increase profit by any number (Main & Hespenheide 2020).

4.2 Case study: SAP

SAP is one of the companies setting the benchmark when it comes to integrated reporting. By having its report fully developed, SAP can show correlations arising from social and environmental issues and, additionally, demonstrate these causalities in specific key financial figures. The economic impact is respectively presented in a dollar amount resulting from a one per cent increase in the corresponding non-financial KPI. The reason for this is that SAP strongly believes that these causal chains are necessary to see the complete picture of financial performance.

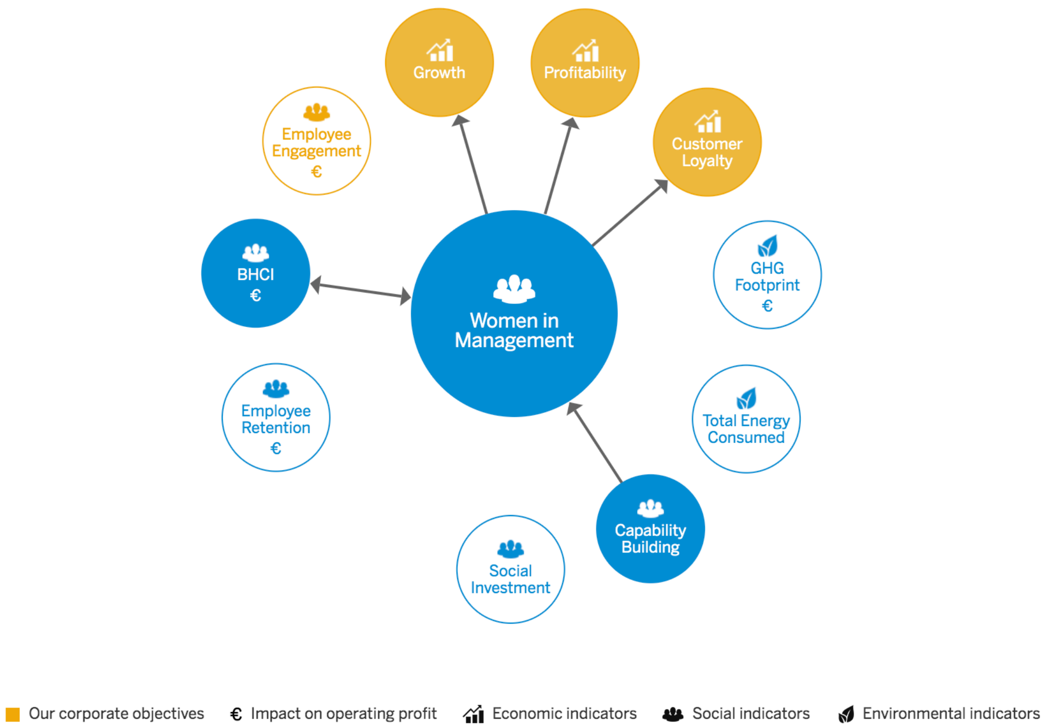

Figure 2. Cause-and-effect analysis of "Women in Management" (SAP 2018: 216)

To give an example of SAP's causalities, the non-financial KPI "women in management" are analysed representatively as many aspects of diversity. The value tree shown in figure 2 depicts how SAP can increase its business success after successfully implementing a quota of women in managerial positions. The first aspect that leads to a higher number of women in management is realised through capability building, which means that women are promoted internally to fill more male-dominated positions. Another aspect that leads to a higher female representation is the "BHCI (Business Healthcare Index)", enabling women to adopt flexible working hours to their private lives. A positive outcome resulting from the higher quota of women and thus a more diverse team is the increase of the BHCI, as the working environment is more balanced. It also leads to SAP growth, especially in terms of revenue, as it allows the company to provide better customer service to diverse customers (SAP 2018: 216). According to a study by Catalyst (2020), companies with a proportion of women in leadership positions can achieve better fiscal performance, which is an essential incentive for SAP to invest in this non-financial KPI (Catalyst 2020). According to a McKinsey study, companies with a higher proportion of women in senior positions can also achieve higher profitability of up to 1.1% when it comes to return on equity, for example (Desvaux, Devillard-Hoellinger & Baumgarten 2007). Finally, SAP can increase customer satisfaction through a more even gender distribution (SAP 2018: 216).

4.3 ESG information

In recent years, financial reports and investments are increasingly influenced by ESG information that addresses environmental aspects (emissions and waste), social aspects (stakeholder satisfaction and CSR) and governance aspects (diversity and corruption). Contrary to what it may seem at first glance, ESGs can drive a company forward from a financial perspective. Therefore, a survey by Amel-Zadeh and Serafeim (2017: 88) demonstrated their importance by indicating that more than eight out of ten respondents recognise ESGs as key to financial success and therefore refer to them when allocating investments. By allowing participants to pose free questions, Amel-Zadeh & Serafeim (2017: 88) found that investors additionally use ESG information to evaluate the risks and opportunities of a financial investment (Zadeh & Serafeim 2017: 88).

As ESG information can serve as an advantage for organisations, many investors and stakeholders express great interest. Therefore, it can be recognised as goodwill that the business environment is willing to pay as a surplus for its positive consequences and side effects. According to Sahut and Pasquini-Descomps (2015: 41), a positive ESG score is typically associated with higher market demand, reduced risks, and solid organisational growth, leading to rising market prices (Sahut & Pasquini-Descomps 2015: 41).

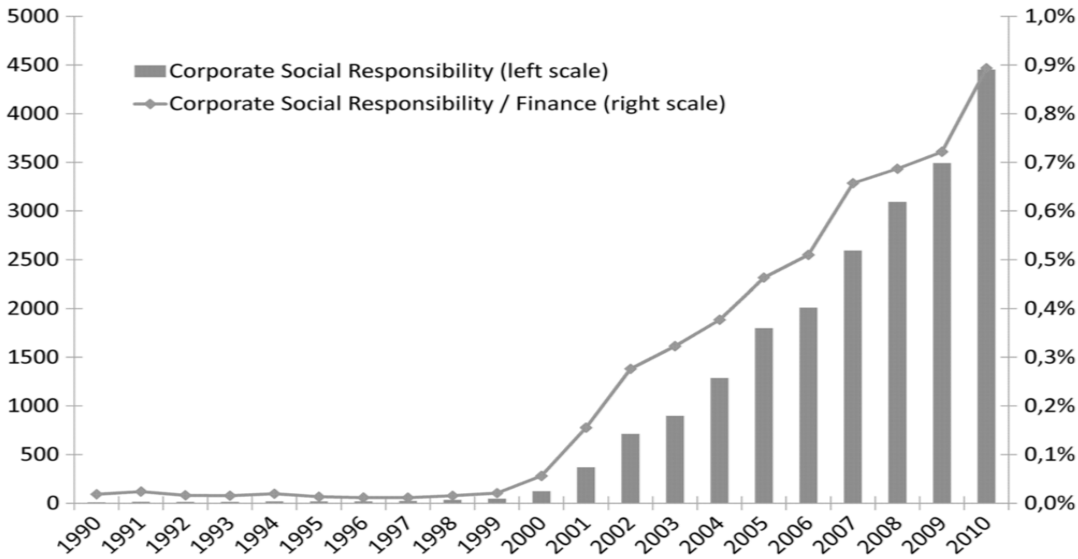

Figure 3. Occurrence of ”Corporate Social Responibility” between 1990 and 2010 (Capelle-Blancard & Petit 2017: 547)

Figure 3 illustrates the increasing occurrence of the term "corporate social responsibility" between 1990 and 2010. In the years before the establishment of diversity and labour migration, the occurrence was shallow to non-existent. From 2000 onwards, however, it experienced a sharp increase, which can be explained by the background of diversity in chapter 2.3.2. CSR is essential for measuring the impact of diversity on companies, as diversity forms one of its sub-areas. By aiming for equal treatment within an organisation and eliminating discriminatory behaviour through government laws, CSR and thus diversity are linked to the social and governance domains of ESG information. The frequent utilisation is also justified because CSR and diversity positively impact the company's success. Otherwise, the utilisation would decrease again after a certain period when the phenomenon is no longer of interest. As a result, the importance of ESG information should not be underestimated or even neglected (Capelle-Blancard & Petit 2017: 547).

5 Workplace diversity

5.1 Definition of workplace diversity

The term workplace diversity can simultaneously be used as corporate diversity and refers to hiring and employing a diverse team of employees with different attributes such as gender, ethnicity, culture, age, disability, religion or sexual orientation. Thereby each individual must be free to live their attribute to the fullest without facing any discrimination or harassment from the employer (Hays-Thomas 2016: 4).

According to Spar et al. (2018: 8), the dimensions of diversity that companies invest in and focus on the most is centred on gender (71%) and ethnicity (49%). Therefore, figure 4 illustrates the main focus of diversity efforts of companies. The explanation lies in the fact that gender diversity is easily traceable and, consequently, easiest to monitor. Furthermore, the representation of women and the benefits that arise from female representation are of increasing importance in our society striving for equality. Additionally, the rise of an ethnoculturally diverse workforce is taking shape on its own due to ongoing globalisation (Spar 2018: 8).

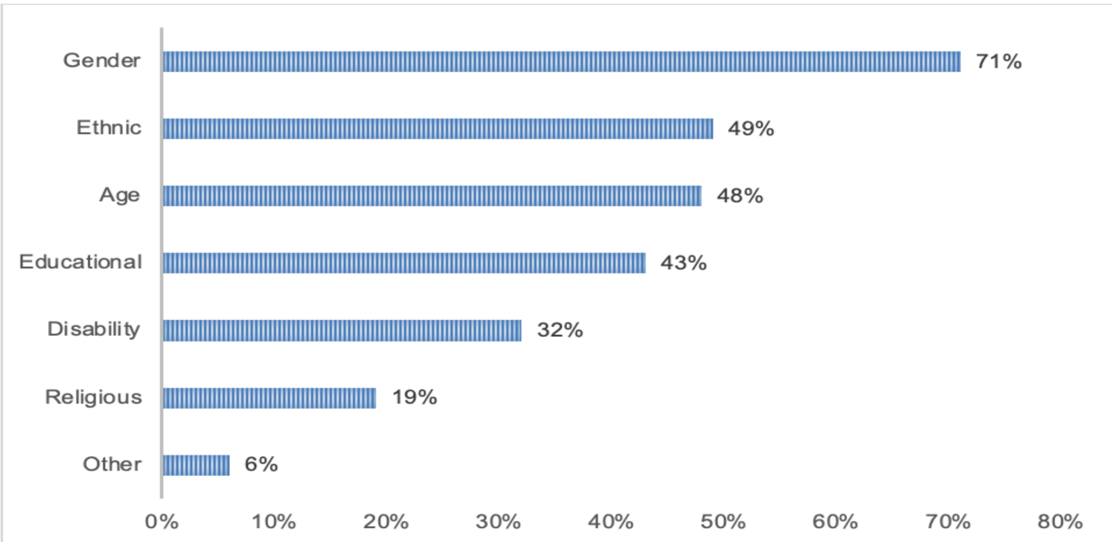

Figure 4. Where companies focus their diversity efforts. Adapted from Spar et al. (2018: 8)

Mor-Barak (2016: 84-89) shares those finding and further explains that the significant increase in gender diversity is caused by the changing role of women in society. While only a few women could afford to work for familial reasons, the proportion of women in the workforce is steadily increasing, especially in developed countries. Nowadays, this is possible due to fertility control, expanded education and employment opportunities, childcare facilities, maternity benefits or public policies. Similarly, the rise of a workforce with diverse ethnocultural backgrounds can be observed due to migration movements from the global South to the North. Migrants are led by various push factors, such as low employment rates or poverty and pull factors, such as political stability or security. Global attitudes towards initially excluded minorities are slowly changing from exploitation and discrimination to tolerance, acceptance and valuation (Mor Barak 2016: 84-89). As a result, this thesis focuses on the diversity of gender and ethnically diverse teams.

5.2 Background of diversity

Before the realisation that diversity has a positive effect on financial figures, it was necessary to anticipate the mixing of different nations worldwide. This migration of labour began strongly from the 1600s when slaves were shipped between different continents to work on plantations, mines, and construction projects. During this time, the factor of a diverse workforce was entirely out of sight, as the sole intention of Western industrialised countries was to exploit developing Africa. However, globalisation has brought international migration to its peak.

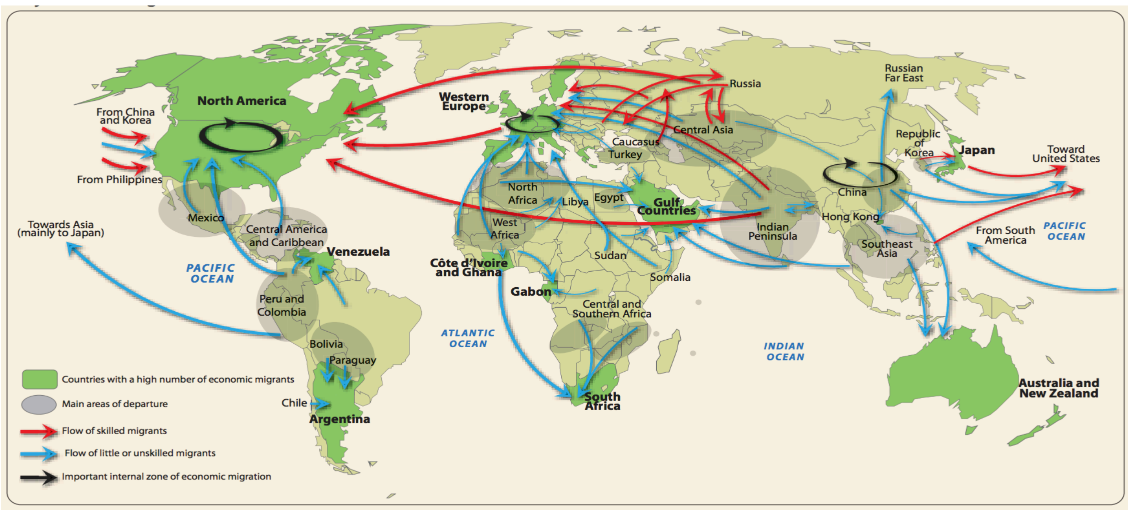

Figure 5. Major labour migration movements (UNESCO 2009: 15)

Figure 5 shows the main labour migration movements and indicates that nearly every country is involved in this process. The map reveals that the countries coloured green with many migrations are mainly Western industrialised countries and Oceania, while the main areas of departure, coloured grey, are developing countries. Unskilled migrants have primarily driven the movement from these grey zones, especially South America and Africa, to the green zones. Simultaneously, skilled workers migrated mainly within Europe and North America (UNESCO 2009: 15).

In the wake of the civil rights movements, the recognition of diversity in the workplace as a success factor and the Civil Rights Act of 1964, diversity has been steadily promoted. Furthermore, Title VII of the Civil Rights Act set a milestone in the time structures by making it illegal to discriminate against employees on ethnicity, skin colour, religion, gender or age. With the help of the government and regulations, it quickly became apparent that diversity needed to be enforced while discrimination and unequal treatment no longer had a place.

Although establishing a diverse workplace became increasingly important in the late 1970s, minority groups were still oppressed and witnessed only slow improvements. Therefore, many organisations began to implement diversity programmes and training. These activities aimed to change attitudes within the organisational structure, eliminating discriminatory behaviours and views and valuing diversity. For the first time, the idea of deriving a benefit from diversifying the workforce that could also be measured financially emerged (Kochan et al. 2003).

In 1987, economist William A. Brock conducted a study of economic and demographic trends that formed the book Workforce 2000 - Work and Workers in the Twenty-First Century. In this study, five specific economic factors were identified that impacted the North American labour market and created motivation for diversity in the workplace for the first time. Several aspects, such as the slower growth and ageing of both the American population and workforce and the contraction of younger workers, were observed. Additionally, women and other minorities are projected to become increasingly involved in the labour market, while migration represents the most significant population growth since the First World War (McCormick 2007: 1).

Consequently, workforce diversification is an essential economic prerequisite for any company's competitiveness, which also provides incentives to attract workers. Moreover, for the first time, companies tried to measure the impact of diversity on various financial and non-financial KPIs, such as turnover, employee retention, productivity, public image and market value.

5.3 Diversity and inclusion

The term diversity is often used in conjunction with the concept of inclusion and referred to as D&I. The common occurrence is based on the interplay between the two, yet it is crucial to understand that they do not refer to the same phenomenon. According to Deloitte (2013), inclusion is defined as a change process characterised by corporate initiatives that lead to a stronger in-group feeling and eliminating a sense of exclusion. The difference, however, is that diversity refers exclusively to the characteristics, traits and attributes that distinguish different groups of individuals from one another by highlighting their uniqueness. In contrast, inclusion refers to the attitudes, practices and norms that foster a comfortable sense of belonging within organisational structures that value people for embracing their authentic selves (Built In 2019). Therefore, D&I should be part of a company's mission statement, policies and practices to ensure a diverse team and consistently deliver its impact within an inclusive environment.

5.4 Importance of workplace diversity and inclusion

According to Eickermann-Riepe et al. (2019: 13), projections for 2025 predict that the Millennial generation (synonymously Gen Y), born between 1980 and 1995, will make up 75% the working-age population. The younger generation places a high value on diversity and inclusion, which significantly increase the need for both. However, their successor generation, Gen Z, born between 1996 and 2012, places even more importance on D&I in organisational structures. There is no doubt that building diversity and equal opportunities are essential for both ages. Therefore, they are big supporters of equal career opportunities, equal treatment and equal opportunities (Eikermann-Riepe et al. 2019: 13).

Particular reasons for the diversity-rooted mindset of the younger generations include, for example, internationally oriented education and training, the global networking of people and companies, as well as digitalisation and globalisation. Both Gen Y and Gen Z are more able than any other generation to connect with people from different backgrounds and build networks and platforms to create and develop relationships and access knowledge (Smith & Turner 2015: 9). From an early age, they have been exposed to people from different backgrounds and have grown up in a more open and inclusive character. Programmes and initiatives by educational institutions such as schools or universities often further support this development. A prime example of this is ERASMUS+, a Europe-wide exchange programme that enables young Europeans to study at a foreign European university or undertake an internship or volunteer programme to promote education and personal growth, attitudes, openness, and acceptance towards other nationalities and cultures. By offering the opportunity to live abroad for six months up to one year, ERASMUS is yearly sending about four million Europeans abroad by supporting them financially and academically (European Commission 2016).

Therefore, a sustainable alignment and the need for social justice are crucial requirements for organisations in today's society. The importance of D&I becomes increasingly visible when looking at younger generations who pay attention to diversity aspects and structures when choosing their employer. The ongoing demographic change in developed countries poses a significant challenge for companies in skill shortages and extreme competition for employees for survival. However, a diversity-driven approach can increase the attractiveness of an employer by giving it a competitive advantage over other companies. The contribution of diverse employees from different countries and backgrounds acts as a magnet, attracting professionals that can freely choose between companies due to the labour shortage. Additionally, attitudes towards inclusion, equality and recognition play another critical role when considering younger generations as a customer base, as they reject unethical, non-action and ignorant organisations while supporting those that value diversity. As a result, organisations that do not expand their corporate structure to include D&I risk losing the majority of Gen Y and Z as customer and employee bases.

Although both Baby Boomers and Millennials recognise diversity, they tend to define the term differently. On the one hand, the pre-1980 generation of Baby Boomers is slowly reaching retirement age in the projections, embodying diversity as the inequality of demographic characteristics and equality of opportunity on ethical grounds. On the other hand, both Gen Z and Gen Y expand this definition to encompass the unique experiences, attitudes, beliefs, identities, knowledge and expertise of each individual and the inclusion of these aspects by creating cohesion that positively influences organisational outcomes and performance (Eickermann-Riepe et al. 2019). Their overarching goal is to achieve a culture of collaboration and teaming where people from different backgrounds connect, engage, support and help each other to create both personal and organisational benefits (Smith & Turner 2015: 5).

5.5 Quotas and regulations regarding corporate diversity

Political pressure for gender equality, especially at management levels, is steadily increasing and having a growing impact on organizations. Governments of all countries worldwide have been trying to incorporate pro-diversity regulations, such as quotas or minimum seats in boards, to enhance equality for minority groups. However, quotas in the workplace mainly focus only on the minority group of women, regardless of ethnic components. Given that the European Union and the United States of America represent two of the largest economies in the world, this thesis takes a closer look at the introduction of women's quotas in both the EU and the US.

5.5.1 Gender diversity

European Union

Although women make up more than half of all university graduates, only around 18 per cent were represented on boards of European organizations in 2013. The low representation of women may lead to a loss of talent and human capital, which reduces the company's efficiency.

Therefore, current trends in European countries are pushing organizations to implement drastic regulations on gender composition at the board level. As early as 2005, Norway’s government was the first to enshrine a mandatory 40 per cent women's quota in law, which has been fully effective since 2008. Following Norway's standards, Iceland adopted the 40 per cent quota. In 2012, the European Union drew up a proposal that envisaged a binding women's quota of 40 per cent for all EU companies except for small and medium-sized enterprises. Although the EU Commission initially rejected the proposal, many countries continued to implement a tangible women's quota until the EU Parliament finally approved the quota in 2013 (Smith 2014: 42-48).

Overall, 21 out of 28[1] EU member states have incorporated gender equality objectives into their corporate governance codes, including ten with a statutory gender quota and eleven with gender composition recommendations. Considering that a few other countries have decided not to introduce any regulations or quotas, the European countries can be divided into three groups. The first group of statutory regulations include Norway, Belgium, France, Italy, Germany, Austria, Portugal, Spain, Iceland and the Netherlands and is listed in table 2.

Table 2. Statutory gender quotas in European countries. Adapted from Arndt & Wrohlich (2019: 341)

Country	Year	Share	Affected companies	Sanctions
Norway	2003	40 %	Listed	Forced dissolution; registry rejects registration of the board
Belgium	2011	33 %	Listed	Empty chair; suspension of payment of attendance fees after one year
France	2011	20%/ 40%	> 500 employees and > 50 million € turnover in the last three years	Nullity of appointments and suspension of attendance fees
Italy	2011	20%/ 30%	Listed	100,000 to 1 million € penalty for BD; 20,000 to 200,000 € for audit committee
Germany	2015	30 %	Listed/ co-determined	Empty chair
Austria	2017	30 %	Listed & ≥ 1,000 employees	Empty chair
Portugal	2017	20%/ 33%	Listed	Mandate is considered temporary
Spain	2007	40 %	4,11 million € assets & 22.8 million € annual turnover OR <250 employees	No sanctions
Iceland	2010	40 %	Listed or limited liability, <50 employees	No sanctions
Netherlands	2013	20%/ 30%	<250 employees, <20 million € assets OR <40 million € net sales	No sanctions

Moreover, the first three counties of table 2 – Norway, Belgium, France and Italy – represent statutory or stringent sanctions for non-compliance such as dissolution, rejects for registration, suspension of payment, nullity of appointments, or penalty charges. Furthermore, Norwegian companies that are still not compliant after several warnings are threatened by compulsory liquidation. In general, companies based in these countries have to face financial losses due to abolishing the noncompliant body. In

[1] As of 2019. UK was still a member of the EU

contrast, countries such as Germany, Austria and Portugal rely on moderate sanctions. An example is the concept of the empty chair, where a supervisory board position has to remain unfilled until the required share is eventually met. However, the remaining countries of Spain, Iceland and the Netherlands carry no sanctions. In general, it is apparent from table 2 that the countries' initiatives are aimed at publicly listed companies. However, they have set specific requirements in terms of the number of employees, annual turnover, net turnover or assets. Although the efforts are made, it is evident that not all countries are aiming for the 40 per cent target proposed by the European Commission.

Table 3 shows the second group – Sweden, Finland, Luxembourg, Slovenia, Denmark, the United Kingdom, Greece, Turkey, Poland, Romania and Ireland – for which there are no binding legal quotas. Nevertheless, their governments try to comply with gender equality through recommendations in their national corporate governance code.

Table 3. Gender diversity recommendations in corporate governance codes in European countries. Adapted from Arndt & Wrohlich (2019: 341)

Country	**Corporate Governance Code**	**Year**
Sweden	Swedish Corporate Covernance Code	2005
Finland	Finnish Corporate Governance Code	2008
Luxemburg	X Principle of Corporate Governance of the Luxmebourg Stock Exchange	2009
Slovenia	Slovene Corporate Governance Code	2009
Denmark	Recommendations on Corporate Governance	2010
UK	UK Corporate Governance Code	2010
Greece	Hellenic Corporate Governance Code	2013
Turkey	Principles of Coporate Governance	2014
Poland	Code of Best Practice for WSE Listed Companies	2015
Romania	Bucharest Stock Exchange Corporate Governance Code, Corporate Governance Rule for all BSE-listed companies	2015
Ireland	UK Corporate Governance Code (2012), Irish Coporate Governance Annex (2011)	2012 2010

Similar to the former group, the voluntary recommendations on gender diversity in managerial positions are directed at publicly listed companies. Turkey is the only country to expand the scope of the recommendations by making them applicable to limited liability companies as well. While the former group faces sanctions for non-compliance, this second group is only obliged to either comply with the recommendations or to declare their rejection. In figure 3, the respective corporate governance codes and the year in which the initial proposal was initiated are listed.

The third and final group, consisting of Bulgaria, the Czech Republic, Estonia, Croatia, Cyprus, Lithuania, Malta, Slovakia and Latvia, has no recommendations or quotas regarding gender equality in force.

For introducing a gender quota or a specific recommendation, Norway is considered the pioneer and the prime example for other countries that followed. Its government was the first to introduce a mandatory gender quota of 40 per cent of listed companies. As the proportion of women on the boards was below ten per cent, the former Norwegian Minister of Economic Affairs announced the 40 per cent quota, which was accompanied by a two-year grace period. During this time, companies had the opportunity to comply with the new recommendation, and if not - which was the case - the proposal became a legal quota from 2008 onwards. As a result, all large listed Norwegian companies have complied with the quota and maintained a minimum women's quota of 40 per cent. As a result of all the regulations and recommendations in force, Europe has seen a steady and significant increase of women in board positions, which requires an approach that focuses on maintaining diversity on an equal foundation (Arndt & Wrohlich 2019: 337–344).

United States of America

In contrast to European gender diversity initiatives, America is in a backward position as the country does not have uniform quotas across the country.

Although there is no national regulation, California was the first to speak out on the issue of gender quotas, enforcing them in 2018 under Governor Jerry Brown. The California legislature points out the importance of reaching a critical mass of women in leadership positions regarding the importance and benefits of women. The intention is to achieve a visible impact for listed organisations. By 2019, the law requires Californian organisations to have at least one female member on their board. However, the law is projected to 2021, after which the required number will increase to at least two female representatives for boards with five members and three for those a minimum of six members. The California government has additionally published penalties for non-compliance, which entail a fine of $100,000 for a first violation and a fine of $300,000 for further violations (Jackson et al. 2018).

Building on California's affirmative example of an intact women's quota, legislators in Colorado, Hawaii, Illinois, Massachusetts, Michigan, New Jersey, and Washington are taking similar approaches. Table 4 depicts the individual requirements for female members and the penalties associated with non-compliance for the states listed following the California example. In general, the requirements were established for publicly traded corporations domiciled within the borders of the respective state and therefore apply to both foreign and domestic public companies. The terms "women" and "female" refer to anyone that identifies themselves as female, regardless of their sex at birth. While all other states focus exclusively on gender diversity, Illinois is the only state requiring an ethnic component by requiring an African American director. By definition, "African American" refers to any person who has at least some ancestry from sub-Saharan Africa. Additionally, Colorado is the only state listed that does not have a statutory quota but a recommendation. Therefore, there are no penalties for non-compliance in force. (Hatcher & Latham 2020).

Table 4. Requirements of female directors in board positions according to state. Adapted from Hatcher & Latham (2020)

State	Requirement	Penalty
California	By 31/12/2019: at least 1 female director By 31/12/2021: - 3 women if 6+ members - 2 women if 5 members - 1 woman if 4 or fewer directors	First Violation: $100,000 Subsequent Violation: $300,000
Colorado	Minimum of female workers depending on board size - 3 women if 9+ directors - 2 women if 5-8 directors - 1 woman if 4 or fewer directors	Not binding
Hawaii	By 31/12/2020: 1 female director By 31/12/2020: - 3 women if 6+ directors - 2 women if 5 directors - 1 woman if 4 or fewer directors	Failure to File: $100,000 Subsequent Violation within 10 years: $300,000
Illinois	By 27/08/2019: minimum requirements of - 1 female director - 1 African American director	Failure to File: $100,000
Massachusetts	By 31/12/2020: 1 female director By 31/12/2020: - 3 women if 6+ directors - 2 women if 5 directors - 1 woman if 4 or fewer directors	Failure to File: $100,000

Michigan	By 31/12/2020: 1 female director By 31/12/2020: - 3 women if 6+ directors - 2 women if 5 directors - 1 woman if 4 or fewer directors	First Violation: $100,000 Subsequent Violation: $300,000
New Jersey	By 31/12/2020: 1 female director By 31/12/2020: - 3 women if 6+ directors - 2 women if 5 directors - 1 woman if 4 or fewer directors	Failure to File: $100,000 First Violation: $100,000 Subsequent Violation: $300,000
Washington	By 31/12/2020: 1 female director By 31/12/2020: - 3 women if 6+ directors - 2 women if 5 directors - 1 woman if 4 or fewer directors	First Violation: $100,000 Subsequent Violation: $300,000

5.5.2 Ethnocultural diversity

Although neither economy has set specific quotas for ethnocultural diversity in the workplace, they value employees of different ethnicities and races by implementing laws to combat discrimination and unequal treatment. Both laws aim to resolve circumstances in which some employees are treated privileged while others are discriminated against, regardless of the hiring process, work environment, wages, or opportunities for promotions.

<u>European Union</u>

In July 2000, the European Union introduced the legal act "Council Directive 2000/43/EC" ("Racial Equality Directive"), which obliges all associations, organizations and legal entities based in an EU member state to implement the law by 2003 at the latest. In broad terms, the newly introduced EU law envisages equal treatment and eliminating discrimination against persons of racial and ethnic origin. It also focuses on protecting against discrimination in employment, education, and participation in organizations and contains definitions on different types of discrimination. Furthermore, it entitles victims to report complaints, subject to sanctions based on the respective national law (Robbins & Ivanova 2007). The European Union attaches great importance to equality, recognizing that it strengthens the sense of unity – one of its most essential values. Since the EU is built on values such as freedom and human rights, the law's introduction was essential to fulfil the principles it had set for itself (European Union 2011).

United States of America

The United States has incorporated the Title VII of the Civil Rights Act of 1964, which addresses eliminating discrimination in the workplace. By prohibiting any form of discrimination on any possible basis, it is intended to limit supervisors and fellow employees and lead to greater tolerance. In case of non-compliance with the law, companies can face fines or even lawsuits as penalties (U.S Equal Employment Opportunity Commission n.d.). As the anti-discrimination law is introduced for companies with more than 15 employees, all large, multinational and global organizations based in the USA are affected. Additionally, companies with more than 50 employees must incorporate "affirmative action" into their business, consisting of written affirmative action plans according to Executive Order 11246. The regulations are recorded in contracts with the federal government to ensure that companies comply. While these plans do not include specific quotas, they foresee targeted recruitment and development plans and support programs to motivate companies to respect racial and gender diversity (Mayhew 2018).

6 Critical perspective on diversity

6.1 Negative impacts

In the context of this thesis, it is first necessary to examine whether workplace diversity of all kinds has any impact on organisations, their operations and their financial results. Therefore, it is crucial to keep in mind the possible positive consequences of a diverse workforce and take critical approaches that see diversification as a threat.

Discrimination, bias, stereotypes and prejudices

Stereotypes and prejudices are prevalent across every nation globally, and with a diverse workforce, this can potentially pose a challenge. Prejudiced employees are less willing to work with people from other backgrounds because of the underlying stereotypes. This unethical behaviour of treating others poorly because of their different background or ethnicity is called discrimination. As a result, this leads to an unfavourable working climate, decreasing motivation and lower productivity.

Communication barriers

In a heterogeneous team composed of different countries, each member has a different mother tongue. Consequently, this may create a language barrier that can be circumvented using English as the working language. However, switching to different languages can cloud the actual meaning of a statement and possibly lead to misunderstandings, especially when combined with non-verbal communication techniques. Different cultural actions can be interpreted as insults to the other nation, such as appropriate physical space, eye contact, or different gestures.

Working styles

Taught from childhood, people from different countries apply different working styles to achieve their work and associated goals. These reflect their cultural values and therefore do not always match people from other backgrounds. While some countries strongly believe in teamwork efficiency, others place a high value on independence or flexibility (Reynolds 2019).

Interpersonal conflicts

The more diverse the employees in a workforce, the more varied their attitudes, backgrounds, opinions and perspectives. As a result, different employees handle certain situations and their outcomes differently, leading to conflict situations and disagreements in detrimental ways (Martin 2014).

6.2 Positive impacts

After contemplating the downsides and negative impacts, the focus now turns to the potential positive outcomes and benefits. According to a study by Catalyst (2020), diversity generates several benefits for companies and businesses, whose impacts can be reflected in financial metrics. The findings apply both to gender and ethnocultural diversity.

Talent acquisition

Organisations with a diverse workforce are more successful in HR practices, such as attracting and binding talent. In this regard, several studies have found that organisations with an evenly distributed gender diversity are less likely to face high employee turnover. The same applies to the diversity of POC, who as employees are potentially confronted with racism in the business environment. As a result, they are likely to leave their jobs immediately. However, a more diverse workforce will create more understanding and empathy, which can consequently increase employee satisfaction. At the same time, this will lead to employee retention. As a result, an employer with a strong focus on diversity can benefit from more engaged and trustworthy employees. Furthermore, an organisation benefits from diversity if it represents a company with an attractive and outstanding social image, which is intrinsically more desirable to foreign applicants because it offers a favourable working environment and equal treatment. Therefore, companies that strive for diversity have better access to highly qualified and talented employees.

Innovation

Organisations with a diverse workforce are better able to innovate. Recent studies have found that organisations with a diverse workforce can increase their profits and profitability by offering innovative products and services. The explanation lies in the avoidance of groupthink and the presence of divergent perspectives. Diverse teams can incorporate different perceptions or thinking styles, enabling them to solve problems faster and generate both greater and higher quality innovation. Intellectual property and patents are only a few arising outcomes of this. The same reasoning that explains the strengthened innovative behaviour of heterogeneous teams can facilitate problem-solving. Several attitudes, perspectives and ideas with different backgrounds are again engaged, enabling a broad pool of ideas.

Corporate image and reputation

A diversified workforce meets corporate social responsibility requirements and thus enhances the company's reputation and brand image. Customers' willingness to buy from a company increases when it adheres to ethnic values, embraces differences and rejects inequalities. Furthermore, investing in CSR, such as a diverse workforce, can create public goodwill.

Avoidance of incidents of fraud

It has been observed that the number of fraud incidents decreases as a result of a more diverse workforce. Introducing a higher quota of women in leadership positions can improve the efficiency of investments and reduce the overconfidence of male leaders, which prevents risky decisions. Additionally, members are more engaged and focused on their tasks, which increases overall productivity. Consequently, this results in fewer reporting errors or manipulations (Catalyst 2020).

Psychosocial aspect

According to Hofhuis et al. (2015), diversity offers psychological benefits to employees that affect the working atmosphere. Research has argued that a multifaceted environment fosters the possibility of expressing personal points of view openly.

Moreover, it encourages openness towards certain cultural behaviours and practices. Therefore, a climate of diversity leads to greater acceptance, tolerance, and non-discriminating attitudes, which in turn contribute to affirmative feelings of inclusion, improved job satisfaction, and broader knowledge sharing. As a result, diverse organisations provide a comfortable workspace where employees are not afraid to be different and instead benefit from feeling more fulfilled and valued, which increases their motivation to work, their attitude and their results. (Hofhuis et al. 2015). By making employees feel safe in their workplace, organisations may benefit from higher employee retention, resulting in lower turnover costs, reduced training costs and time, and increased profitability.

Marketplace understanding

A diversified team results in a pool of employees with different attitudes, beliefs, views and backgrounds. Given that the workforce is the link between an organisation and its customers, diversified personnel can address the entire market and thus a larger group of people worldwide. Having staff members from different backgrounds who understand the client's concerns enables the organisation to serve each client consistently with its values and perspectives. As a result, the employment of a diverse workforce can expand their target group and customer base of an organisation and increase the global satisfaction of their customers.

Flexibility

Companies that show and encourage openness to diversity are generally more receptive to the new or unexpected. This flexibility can be seen as an advantage, as the international market is often exposed to rapid, unexpected market changes. Diverse companies are quicker to act and embrace these changes, creating a competitive advantage for the respective company.

Employee retention

Employee retention is generally concerned with measures aimed at retaining employees in the workplace and, in return, not giving them any incentives to leave. However, harassment, discrimination or lack of appreciation are common reasons for resignations.

By focusing on diversity and the inclusion of a diverse workforce, a company can reduce these factors and retain employees. When employees are valued for their uniqueness and the fact that they are different and stand out from the crowd, this leads to reduced employee turnover and a more pleasant working environment. In turn, this strengthens mutual trust and gives the employee a feeling of security (Kerneder 2016). Additionally, it creates cost savings when considering that the average cost of losing an employee adds up to approximately 33% of his or her annual pay.

Skills

An intense focus on D&I enables companies to educate their workforce through daily interactions. By constantly communicating, sharing values, collaborating and engaging in joint activities, employees naturally learn from each other, even without participating in a specific training programme. In addition to hard skills development, employees also improve their soft skills such as collaboration and cooperation, which are considered the essential soft skills for business success (Microsoft 2019).

Those examples illustrate how companies can benefit directly or indirectly from a more diverse workforce. Direct benefits describe practices that have a direct impact on profitability or other financial data, while indirect ones enhance organisational operations that in turn result in an increased fiscal outcome (Catalyst 2020).

6.3 Financial consequences of impacts

The potential impacts on organisational structures have been made visible in the previous chapters. However, these influences can also indirectly affect financial success. Considered as non-financial KPIs, they either prevent or increase the company's financial strength and profitability. The principle is equally applicable as described in 4.2 using the example of SAP.

The non-financial KPI of employee retention is illustrated using SAP's connectivity tree to understand the value chain leading to increased profitability.

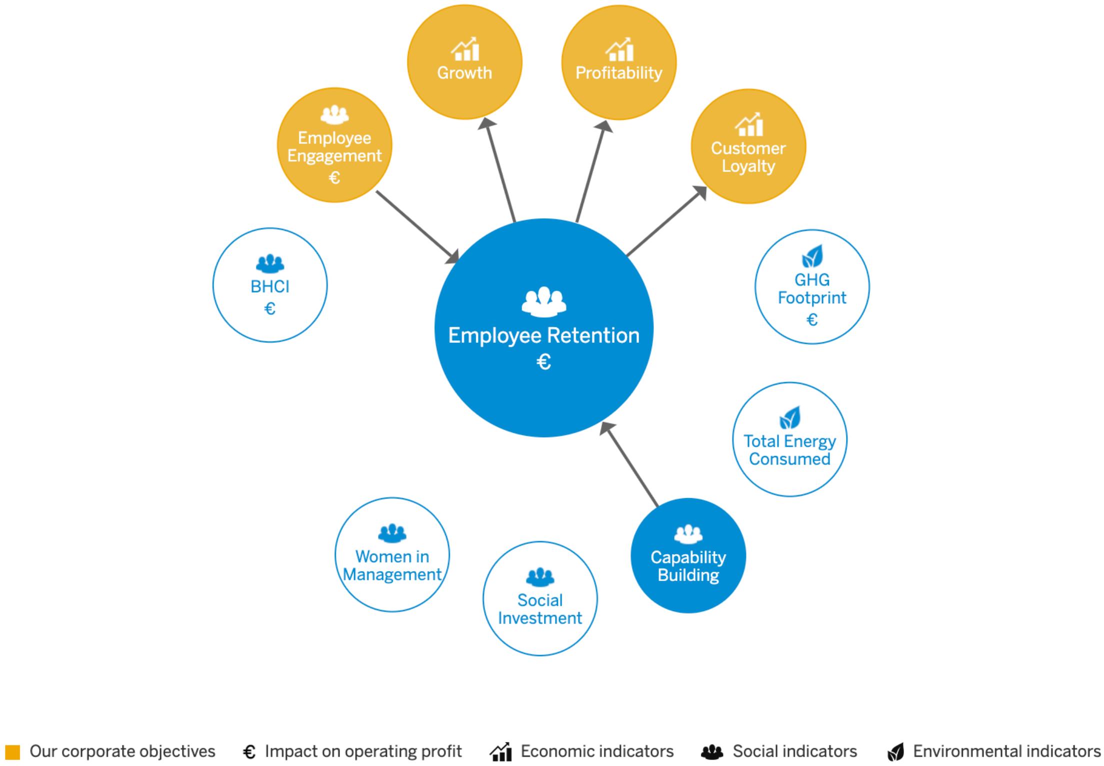

Figure 6. Cause-and-effect analysis of "Employee Retention" (SAP 2018: 214)

Figure 6 shows both origins of improved employee retention and the impacts arising from this non-financial KPI by illustrating the cause-and-effect chain.

According to SAP (2018: 214), one of the factors leading to increased employee retention is represented by capability building. Within the company's structures, SAP tries to fill vacant positions internally, emphasising promoting women and ethnic minority groups. In general, the opportunity to receive promotions and thus improve one's career is one of the most critical drivers of employee retention. Additionally, the company found out that the degree to which they develop and support the career path of their employees is positively correlated with employee retention as it leads to increased trust and commitment to the employer. Companies can promote and assist minority groups and diversity within their ranks, especially when it comes to career support. As a result, it is confirmed that focusing on D&I entails its advantages by enabling companies to retain employees successfully.

Another factor is employee engagement. SAP (2018: 214) can demonstrate a positive association between employee engagement and retention using its financial data. When focusing on the financial impacts of employee retention – which is the main objective in this chapter – SAP (2018: 214) can demonstrate several positive correlations. First of all, it leads to the company's higher growth, including both its revenue and its profit margin. Besides, the profitability of the company is strengthened. To speak in numbers, a one percentage point increase in employee retention will provide the company with an additional 55-to-65-million-euro operating profit (EBIT). Finally, SAP (2018: 214) found out that employee turnover is negatively impacting customer satisfaction, which implies that the retention of employees may increase the satisfaction of customers. The company explains this phenonium by the expertise of experienced employees, which leads to a more efficient operation. Additionally, the retention of employees enables them to build mutual trust and relationships with both fellow workers and customers. As a result, the customers' demand can be targeted and reached in a more precise way.

As a result, the effects concern companies' organisational structures and their financial success. Financial goals can be achieved faster, easier or better through the functioning of non-financial KPIs. Therefore, companies need to deal with diversity and its impact to realise the beneficial implications for financial performance (SAP 2018: 214).

7 Empirical evidence of impacts

Several studies have captured the potential impact of workplace diversity on financial KPIs. In the following part, the changes in the financial KPIs defined in chapter 3 are presented and evaluated. A distinction is made between the effects of general D&I efforts by companies, gender diversity and thus a higher female representation and finally ethnocultural diversity, indicating a higher representation of POC.

7.1 Evidence on general D&I impacts

To demonstrate the impact that companies can achieve by integrating D&I into their organisation, a study by Eickermann-Riepe et al. (2019) classifies companies into a four-class maturity model according to their D&I efforts. In this context, the lowest class indicates no clear D&I responsibilities, sporadic training and compliance with regulatory minimum requirements only. The highest class, however, refers to managements that bear strategic responsibility and a holistic orientation towards achieving the corporate goals by anchoring D&I in the routine actions of all employees.

The findings reveal a clear positive correlation between D&I efforts and company performance. First, companies classified in the highest class of the maturity model turn out to be 39% more innovative than those classified in the lowest class. Additionally, upper-class companies can report a 20% higher innovation rate. Innovation is of particular importance in international competition to gain a competitive advantage, stand out from the crowd, and survive against solid competitors. Besides technological developments, individuals themselves are the main contributors to innovation. However, an essential prerequisite is that organisations can create and provide an environment that allows individuals to embrace themselves to the fullest. Diverse teams are better able to adapt to market changes and are therefore more likely to generate new ideas and approaches that create a forward-looking organisation capable of withstanding market pressures and seizing critical market opportunities. An inclusive organisation that places great emphasis on diversity can highly provide this, explaining why upper-tier companies perform better and are more innovative. In general, companies with a high rate of innovation reflect the most significant profit growth and a tremendous potential for business innovation, as disruptive innovation can potentially increase a company's value up to tenfold.

Companies in the top tier can present a 35% more satisfied workforce. As indicated in 5.4, younger generations, such as Millennials and Gen Z, place great value on D&I and demand a work environment characterised by flat hierarchies and a diverse team. The significance is evident when examining the figures compiled in the surveys by Eickermann-Riepe et al. (2019). Almost half of all respondents state that they are willing to accept a low-paid job offer if a welcoming, inclusive culture characterises the company in question. Furthermore, the responses indicate that the likelihood of sticking with a company is twice as high due to a culture of integration and acceptance. Extrapolating both factors lead to an estimated cost saving in the triple-digit millions and twice the performance of average cultured companies due to the increased motivation and engagement of the workforce. Figure 7 illustrates workforce satisfaction for the lowest- and highest-tier companies by showing that overall, four out of five employees at the highest-tier companies are satisfied, compared to only one out of two at the lowest-tier companies.

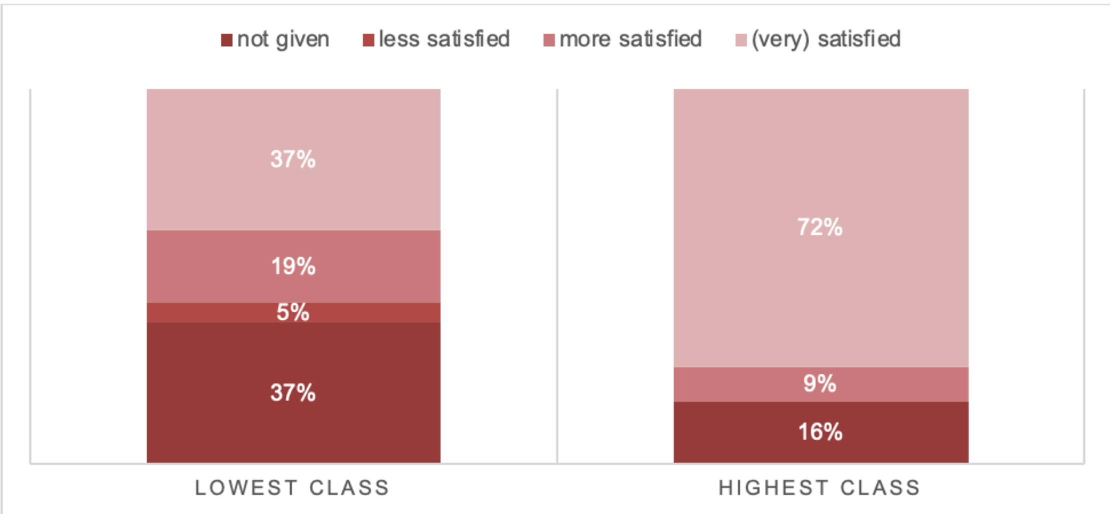

Figure 7. Employee satisfaction in companies of the lowest and highest class. Adapted from Eickermann-Riepe et al. (2019: 23)

Like the higher employee satisfaction, top-tier companies are also able to boast a 31% more satisfied customer base. Figure 8 shows the percentage of satisfaction among lower-tier and upper-tier companies. As illustrated, companies ranked in the top tier capture satisfaction information from 84% of all customers. In contrast, companies in the bottom tier report that they do not know the satisfaction level of about one-third of their customer base, indicating a relatively poor customer relationship. As a result, they are less able to meet their customers' expectations and desires, which also explains why they can only exceptionally satisfy about one-third of their customer base. At the same time, upper-tier companies can do so for more than half of their customers. As a result, awareness of D&I is strongly related to customer orientation, customer focus and customer satisfaction.

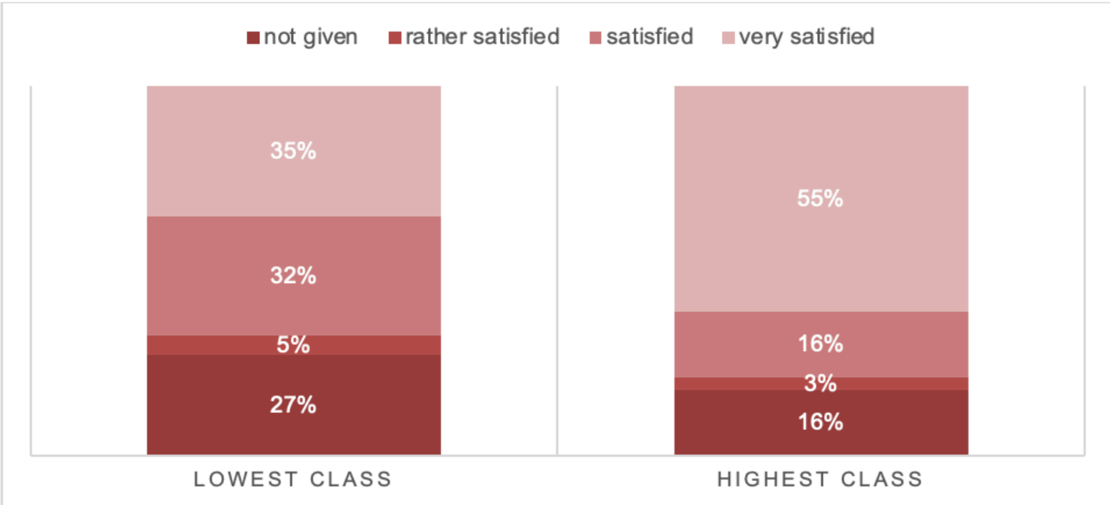

Figure 8. Customer satisfaction in companies of the lowest and highest class. Adapted from Eickermann-Riepe et al. (2019: 28)

Further, one-third of the companies in the highest class observe that their sales are growing at an above-average rate. Figure 9 illustrates that more than half of the organizations classified in the highest class, a share of 56%, record above-average sales growth, while those in the lowest class can only report a share of 26%. Furthermore, the figure depicts that various companies in the upper classes do not record any below-average sales growth at all. In contrast, those in the lowest class have to record almost one in ten below average.

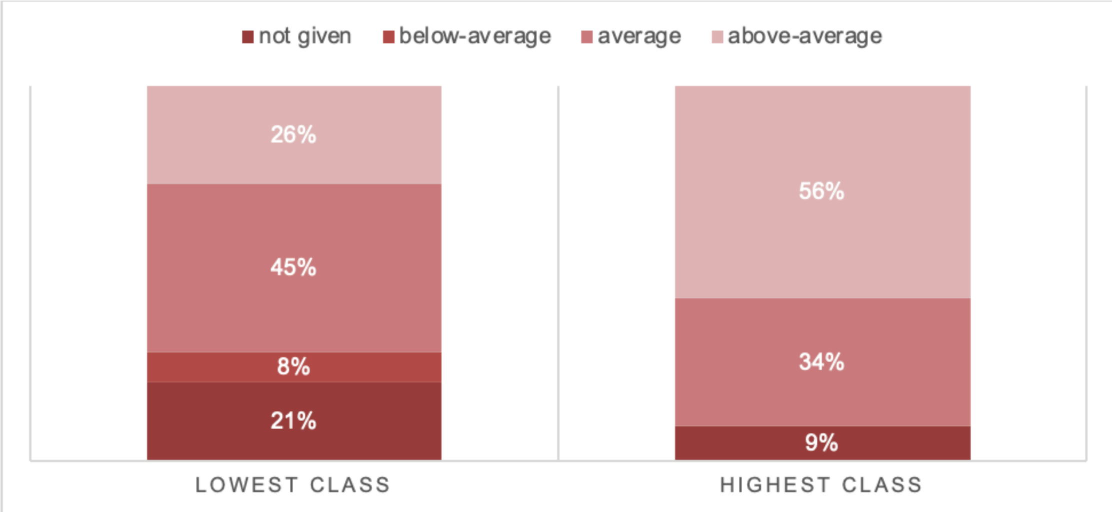

Figure 9. Business growth in companies of the lowest and highest class. Adapted from Eickermann-Riepe et al. (2019: 35)

Beyond this, Eickermann-Riepe et al. (2019) further investigated that top-tier organisations are twice as probable to reach or surpass its initial financial targets by incorporating a D&I follow-up approach. The study found that high-class organisations are 25% more likely to achieve share value growth than low-class organisations for listed companies. All these findings confirm the financial benefits, thus proving that the focus on diverse human capital does indeed yield significant financial gains (Eickermann-Riepe et al. 2019: 23-35).

7.2 Evidence on gender diversity

The McKinsey studies underline the increasing importance of gender diversity by demonstrating the significant positive correlation between gender-diverse teams and financial success. As described in this thesis' methodological approach, McKinsey used a quartile system to classify organisations according to their diversity efforts.

Figure 10 indicates that companies with gender-diverse leadership teams outperformed those with male boards. In 2014, the difference between 1st and 4th quartile companies was a profitability of 15%. Recent results show that this ratio increased to 21% in 2017. Moreover, the latest evidence pointed to an even higher figure of 25% in 2019. The results of the McKinsey study highlight the need for a higher representation of women, as the benefits are reflected in financial ratios. Additionally, the increasing importance of gender equality is evident as profitability metrics have steadily increased, bringing even more significant benefits to organisations.

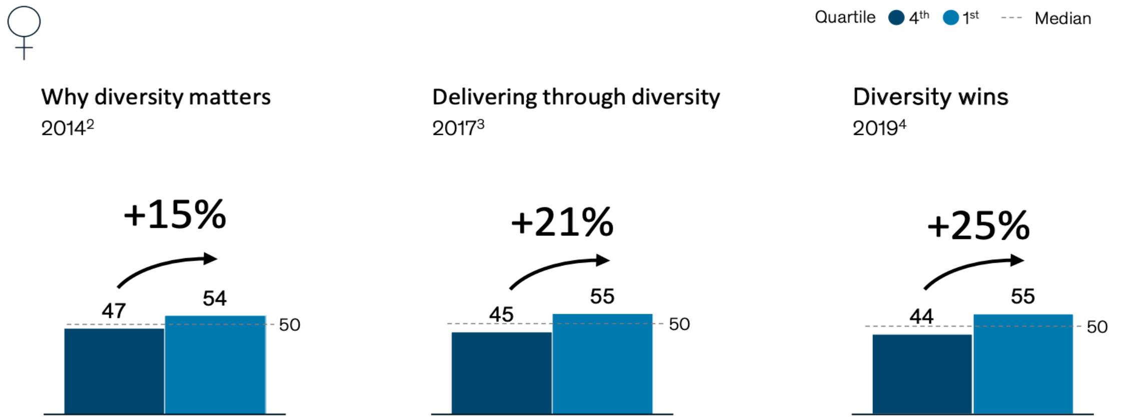

Figure 10. Likelihood of financial outperformance (EBIT margin) by diversity quartile in % (Gender) (Dixon-Fyle et al. 2020: 14)

There is a positive correlation between female representation and financial outperformance, as already proven. Figure 11 illustrates this correlation by displaying that the more significant the proportion of female board members, the higher the probability of outperformance. In particular, companies with at least 30% female board members are almost twice as likely to outperform companies with a maximum of ten per cent female representation (Dixon-Fyle et al. 2020: 14-17).

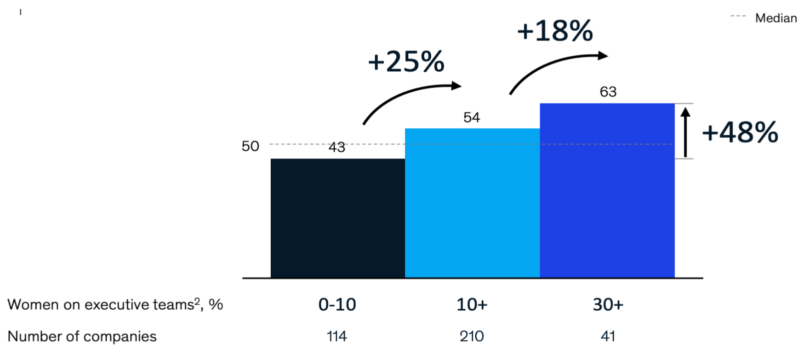

Figure 11. Likelihood of financial outperformance (EBIT margin) classified by women share's in % (Dixon-Fyle et al. 2020: 17)

As illustrated in figure 12, gender diversity also plays a vital role in value creation processes. McKinsey (2018) examined that companies from the 1st quartile are 21 %

more profitable in their EBIT margin than companies from the 4th quartile. However, the benefits result in a 27 % higher probability of outperforming the profit margin (Hunt et al. 2018: 10).

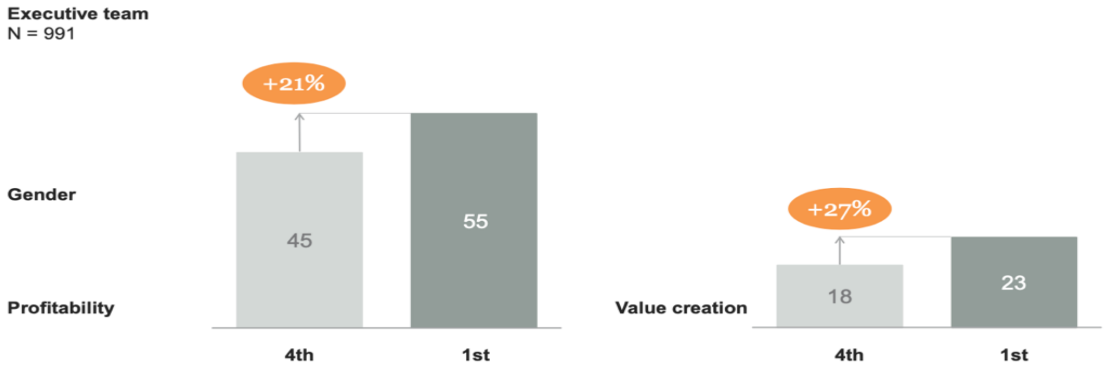

Figure 12. Likelihood of financial outperformance by diversity quartile in % for profitability and value creation (Gender) (Hunt et al. 2018: 10)

A further comparison in figure 13 shows the proportion of male and female staff and line executives for lower and upper quartiles. Companies in the lower quartile employ only 3 % female employees and managers. Conversely, this means that the remaining 97 % are male and comprise homogeneous teams. However, companies in the upper quartile have a much higher female representation of 30%. As a result, their female quota is ten times higher than the bottom quartiles. Consequently, it follows that gender diversity and a higher proportion of women are key to enhanced financial performance (Dixon-Fyle et al. 2018).

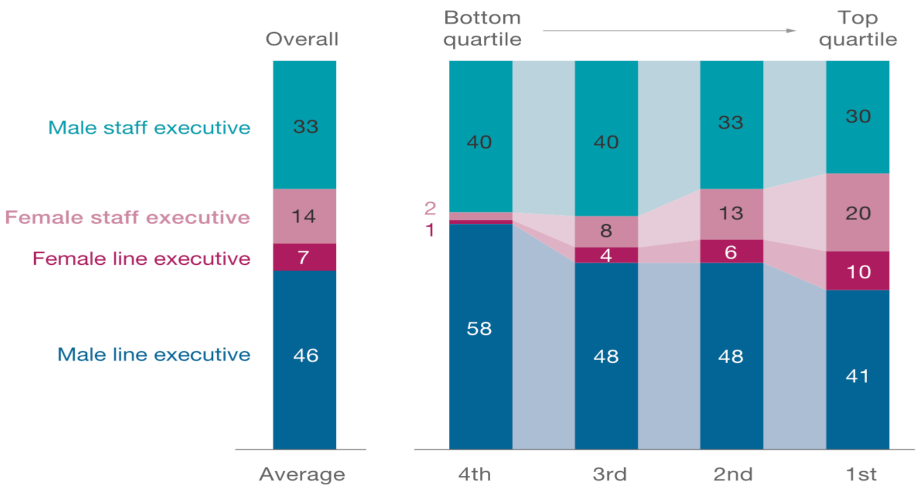

Figure 13. Executive roles split by gender-diversity quartile, companies with above-median financial performance, in % (Dixon-Fyle et al. 2018)

Another study by Dawson et al. (2014) identifies and measures further factors for the positive correlation between gender diversity and corporate financial performance. First, it concluds that a higher proportion of women on boards has a positive impact on companies' return on equity. As shown in Figure 14, the positive correlation can be observed at a constant level between 2005 and 2013. The blue coloured bar represents companies without female board members, the grey bar represents companies with at least one female board member, and the purple bar represents those with at least two. Looking at the average, but also at each year, the bar chart shows that companies with no female representatives consistently recorded the worst performances. Generally, companies with female board members performed superior and generated a higher return on equity. However, companies that aimed for at least two female representatives were even further ahead and able to show the highest return on equity over the years. To be precise, companies with no female representation had an average return on equity of about 11.1%. In contrast, companies with female representation achieved a higher result of about 14.1%-14.3%.

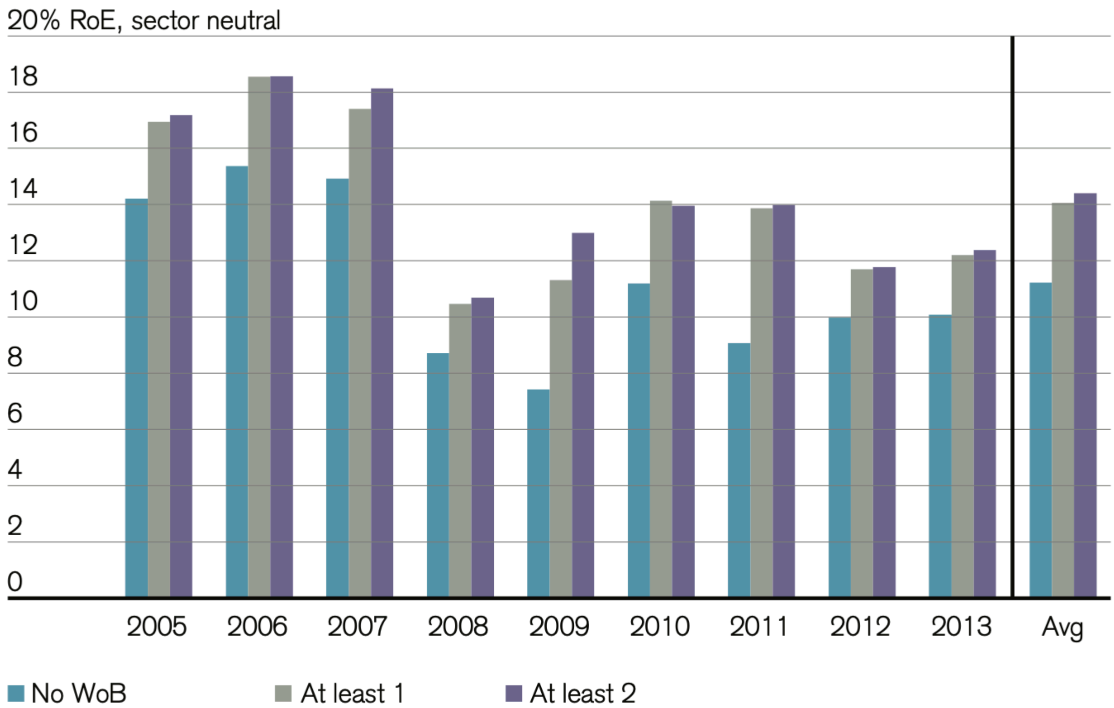

Figure 14. Return on equity between 2005 and 2013 based on different female representation (Dawson et al. 2014: 16)

The second financial ratio examined by Dawson et al. (2014) is the price-to-book value ratio illustrated in figure 15. Similarly to the previous figure, the blue bar represents companies without female representation, while the grey indicates at least one and the purple at least two female representatives. Again, the results clearly show that the companies without any female representation have significantly worse results over the years. It is also clearly apparent from the graph that companies with female board members have a higher P/BV ratio. However, there is no significant difference between a minimum of one or two female managers. On a nine-year average, companies without female representation record a ratio of 1.8, while those with female board members record a more substantial ratio of 2.3.

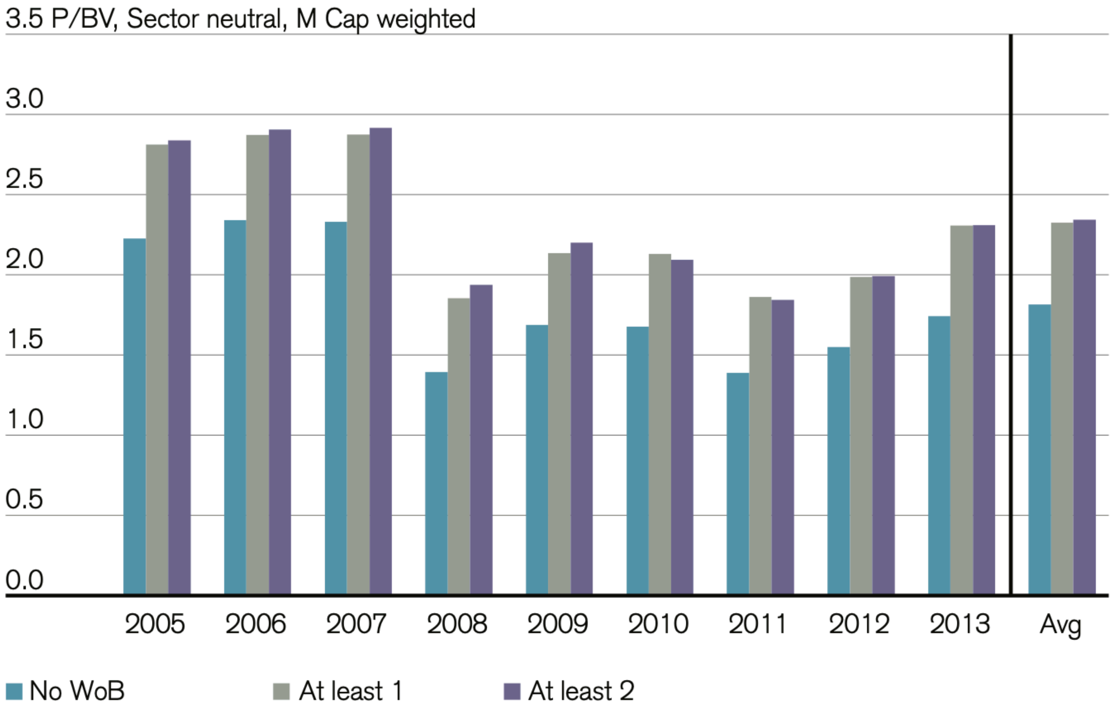

Figure 15. Price-to-book value between 2005 and 2013 based on different female representation (Dawson et al. 2014: 16)

The payout ratio represents the third metric under observation. Therefore, different ratios are displayed in figure 16 using the same colour pairs as in the previous figures. Again, companies with zero female representatives show the worst performance, with an average payout ratio of 32%. However, the difference for companies with female board members is significantly higher, with an average of 39%. To be precise, companies with zero female representatives are outperformed by gender-diverse companies by 7%.

Through their ability to pay out higher dividends, these companies can better meet the requirements and demand of the stakeholder approach as they have generated higher returns. On average, the payout ratios of companies that have at least two female representatives are slightly higher than those with a minimum requirement of a single woman. Again, Dawson et al. (2014) have been able to measure concrete figures. Companies with more than 15% women on the board were able to demonstrate a payout ratio of 43%, while companies with less than 10% women were only able to report a ratio of 36%. These results highlight the way companies with different diversity approaches manage their capital. As a result, boards with a gender-diverse composition tend to be better at satisfying their company's stakeholders, leading to positive attitudes towards the organisation.

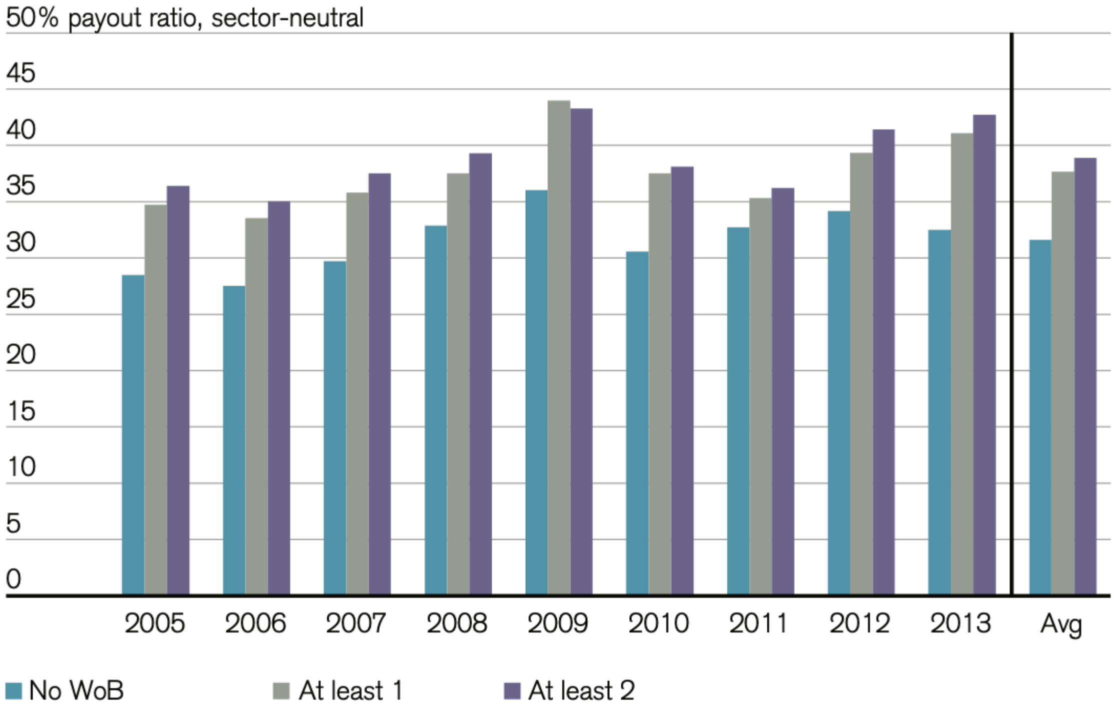

Figure 16. Payout ratio between 2005 and 2013 based on different female representation (Dawson et al. 2014: 20)

Figure 17 shows the performance development of portfolios of companies classified by female participation in management. In this context, performance is measured in annualised average returns. The blue line represents companies with a 25% share of women, while the grey line represents a 33% rate, and the purple line represents a 50% rate. At the beginning of the recording in 2009, the different classes seem to have a similar performance. However, companies that value gender diversity have achieved higher returns over the years. Consistent with their increasing female representation, it is evident that a higher threshold indicates better performance. Consequently, return differentials have widened in recent years, signalling that the inclusion of a higher female proportion is becoming increasingly important to enhance annualised average returns in the modern era (Dawson et al. 2014: 16-25).

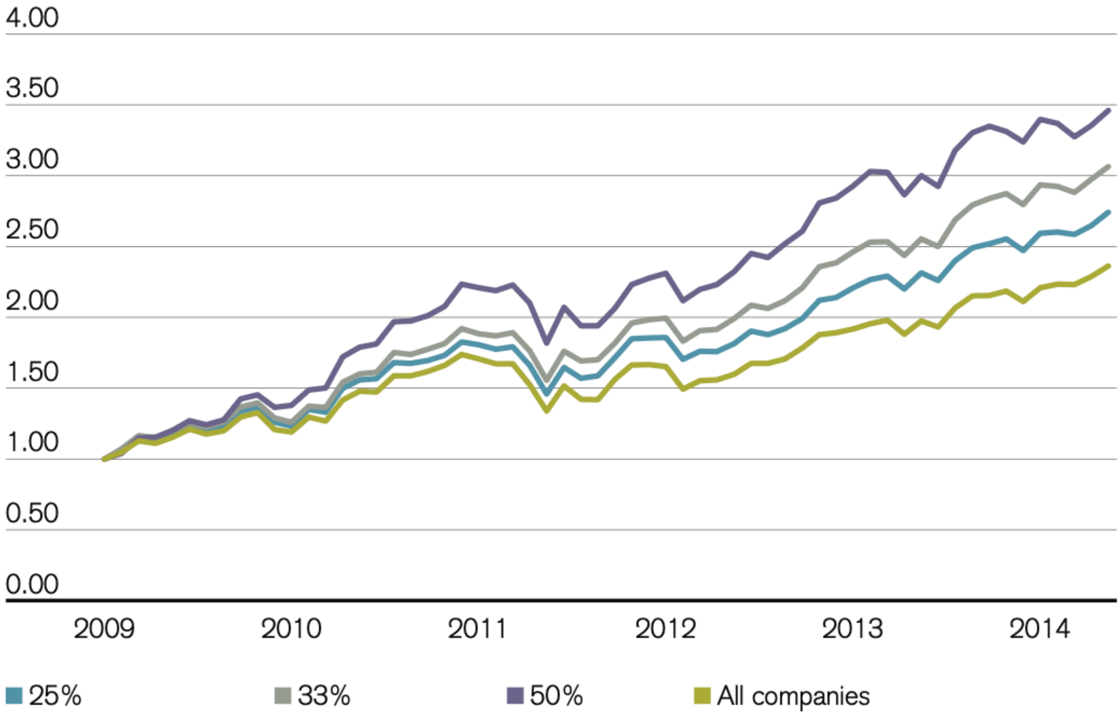

Figure 17. Performance of companies tiered by female management participation from 2009 to 2014 (Dawson et al. 2014: 25)

Based on the information in the previous graph, figure 18 shows the performance development of portfolios of companies that are also classified according to female management participation. However, it is taken from a more recent version of Dawson's study. Therefore, the time frame has been extended to the year 2016. While the yellow line represents companies with an even gender distribution, all other colours refer to lower female participation. As shown from the figure, the companies following the yellow line are ahead of the remainder in terms of a higher share price. Thus, the renewed study from 2016 confirms the 2014 findings by demonstrating that a higher share of women, especially a gender-balanced team, is crucial for improved performance (Dawson et al. 2016: 25).

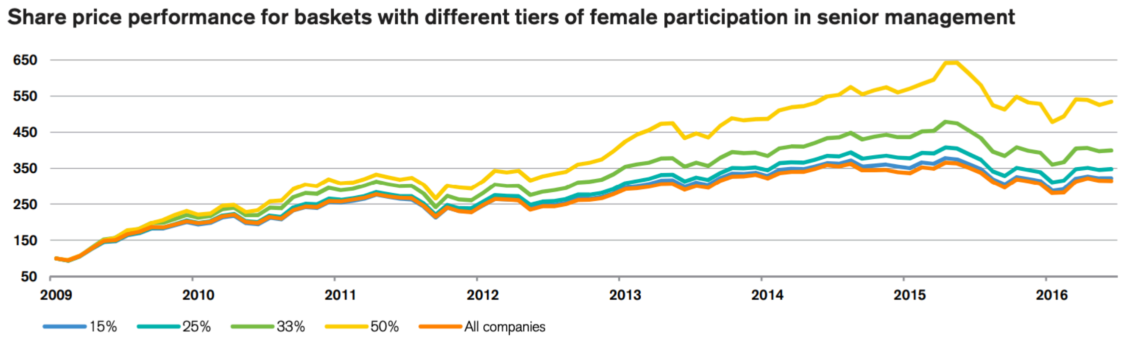

Figure 18. Performance of companies tiered by female management participation from 2009 to 2016 (Dixon-Fyle et al. 2016: 25)

The common finding of both studies is that greater gender diversity and higher female representation are positively correlated with corporate financial performance. Therefore, a higher proportion of women in management is an attractive initiative to gain a competitive advantage alongside financial benefits. In this way, companies can, on the one hand, increase various financial ratios such as their EBIT margin, ROE, payout ratio or profit margin, but on the other hand, also achieve a higher market value as measured by the stock market price.

7.3 Evidence on ethnical and cultural diversity

McKinsey (2018) examined similar results concerning ethnocultural diversity. As illustrated in figure 19, companies with an ethnoculturally diverse executive team outperformed the industry average by 35% in 2014. Although the rate slightly dropped in 2017, companies with heterogeneous teams were still able to outperform others by 33%. However, the latest results show an upward trend again, reflecting an all-time high of 36% likelihood of outperformance. The increasing importance of ethnocultural diversity can explain this and the trend of being more willing to explore a foreign workplace due to globalisation and freedom of movement. These experiences involve getting to know a foreign country with a different attitude to work, a different environment and different behaviours that are attractive to the young, curious generation. With its findings, McKinsey creates an incentive for global companies to work towards building teams consisting of employees from different ethnicities and cultures (Dixon-Fyle et al. 2020: 20).

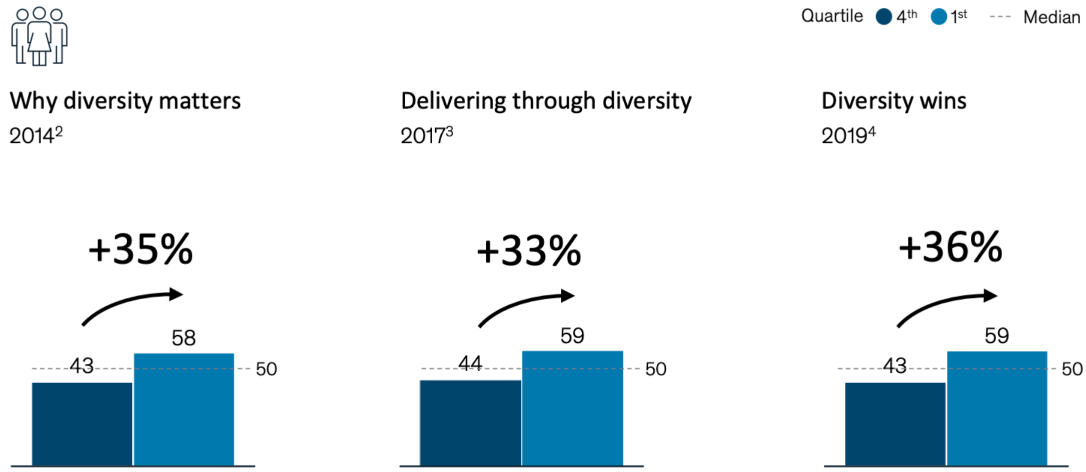

Figure 19. Likelihood of financial outperformance (EBIT margin) by diversity quartile, in % (Ethnicity/ Culture) (Dixon-Fyle et al. 2020: 20)

As McKinsey (2018) demonstrated in 2017, this also applies to a diverse board of directors. Whereas the left part of figure 20 indicates the previously mentioned effects of a more diverse executive team, the right part refers to the board of directors. As shown in this figure, organisations with more diverse boards in terms of ethnicity and culture outperformed the industry average by 43% (Hunt et al. 2018: 15).

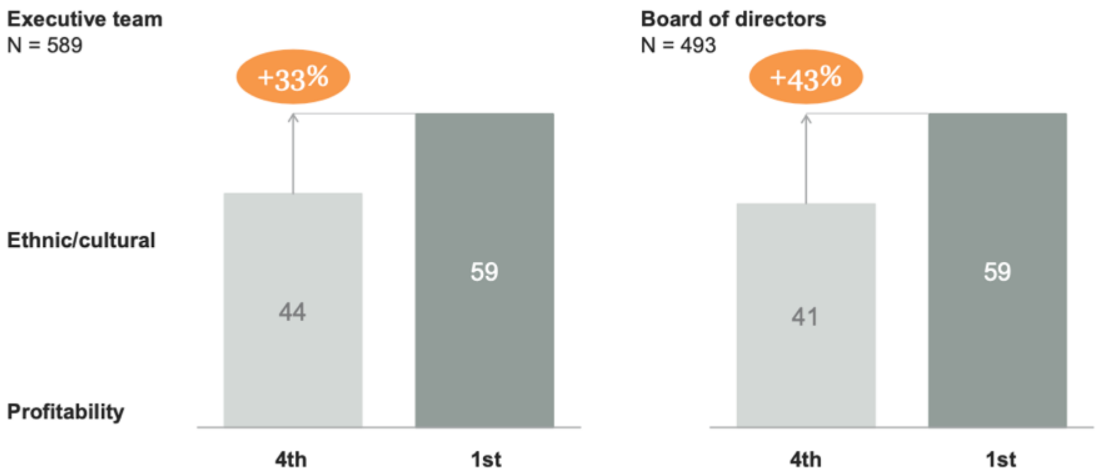

Figure 20. Likelihood of financial outperformance of executive teams and BOD (EBIT margin) by diversity quartile, in % (Ethnic/ cultural diversity) (Hunt et al. 2018: 15)

According to various findings by Diaz et al. (2020), both a diverse executive team and a diverse board correlate positively with the higher profitability of organisations, especially in the financial services sector. To demonstrate this, the research team constructed the correlation as follows. For every 10 per cent increase of ethnocultural diversity in executive teams, earnings before interest and taxes rise by almost one per cent. Projecting this correlation to a higher proportion of people of different ethnicities and cultures, a company can quickly increase its EBIT. Considering that, for example, the U.S. population will be highly diversified in the upcoming years, the share of ethnocultural diversity within a company will consequently increase. In financial services, a diverse workforce is fundamental to achieve equity. The reason lies within the particular proximity to stakeholders demanding ethical attitudes and equality from organisations which compels companies to increase diversity to meet their demands (Diaz 2020).

According to Herring (2009: 208-244), organisations' ethnocultural positioning is additionally positively correlated with sales. Consequently, he concluded that companies with the highest ethnocultural diversity were able to show 15 times higher sales than those with the lowest prevalence. He also illustrated his findings in concrete figures by stating that a one per cent increase in diversity in the composition of a company's team leads to an increase in sales of about nine per cent. There is a plausible explanation for the positive correlation between racial diversity and turnover. As discussed in 6.2, a more diverse team made up of different backgrounds demonstrates a greater understanding of the market by appealing to, reaching out and understanding a broader and more diverse group of customers. Herring (2009: 208-244) has also found a correlation here, stating that the smallest incremental increase in ethnocultural diversity leads to an expanded customer base of about 400 people.

Furthermore, Herring (2009: 208-244) observed a positive relationship between an ethnoculturally diverse team of organisations and their market share. The relationship is positive and consequently implies that with an increasing number of employees from different ethnocultural backgrounds, market share also increases significantly (Herring 2009: 208-244).

According to Eickermann-Riepe et al. (2019: 35), companies that value ethnocultural diversity at the board level are 43% more likely to be profitable and successful in international markets due to a better understanding of both the given market and customer preferences. Furthermore, these companies are better able to deliver products and services that reflect the needs of end customers. Besides, the study found that if at least one member of the workforce shares a particular character trait with the target customer, the organisation as a whole acquires a better understanding of the respective customer group and is, therefore, better able to serve it. If the characteristic is an ethnic attribute, the organisation is 2.5 times more likely to understand the needs of that customer fully. Therefore, organisations can adapt their products and services for different customer segments and thus succeed in a larger, international market (Eickermann-Riepe et al. 2019: 35).

Another positive correlation is found between ethnocultural diversity and financial performance. Again, companies can achieve higher financial metrics, such as a higher EBIT margin, and improve non-financial metrics. By employing a racially diverse workforce, they can target more customers since they can better understand and reflect on different perspectives and viewpoints, resulting in a more extensive customer base and higher sales. Therefore, it is essential to structure the board diversely, as it serves as a role model and reference point for a variety of stakeholder groups, including both customers, employees, and investors (Hunt et al. 2018).

7.4 Evidence on impacts of non-diverse teams

In contrast to the benefits that accrue to companies committed to diversity, empirical evidence shows that companies that lag on diversity tend to underperform. The findings apply to both gender and ethnocultural diversity.

As shown in figure 21, companies with low gender diversity efforts are 9% more likely to underperform. This figure has worsened in the following report until it more than doubled in the latest results for 2019, which indicate an underperformance probability of 19%. Low-effort companies are 25% more likely to underperform when considering gender and ethnocultural diversity. In 2017 and 2019, the percentage increased to 29 % and 27 %, respectively. As a result, companies with underrepresented minority groups lose about a third of their potential performance outcomes to a homogeneous team.

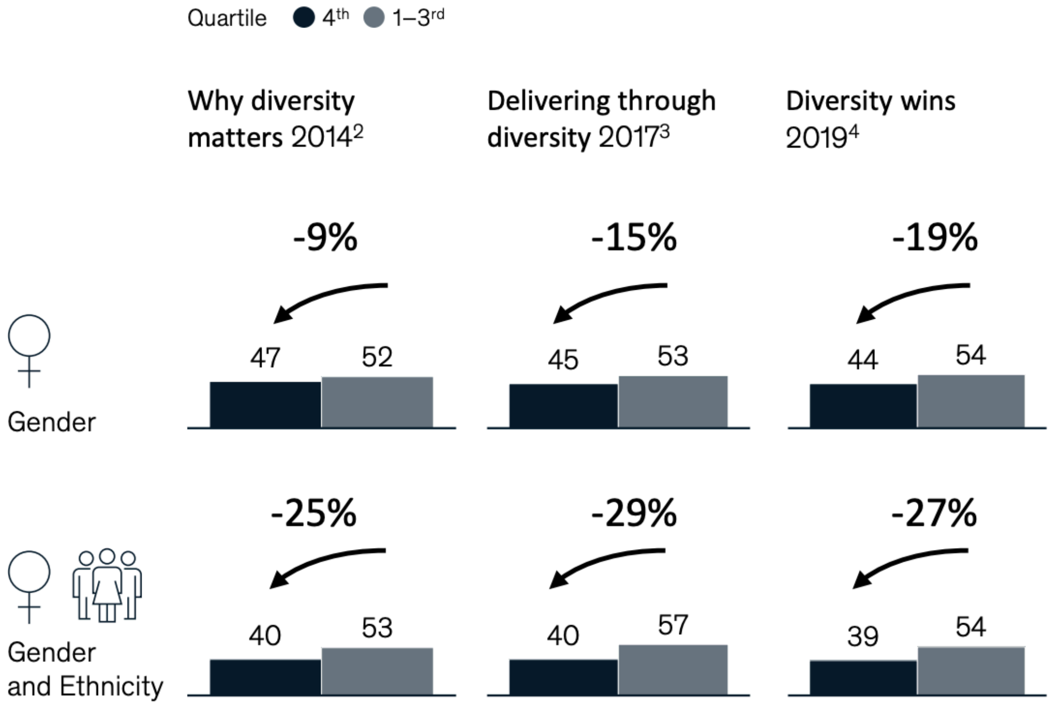

Figure 21. Penalties for bottom quartile (Dixon-Fyle et al. 2020: 25)

The reasons for underperformance are given by a variety of aspects such as limited resources, limited sharing of ideas, smaller talent pools, groupthink and lower levels of empathy and understanding. In addition to the positive changes in financial metrics due to workplace diversity, figure 21 highlights the need for diversity by pointing out the negative results of homogeneous teams leading to lower financial metrics and reduced competitiveness (Dixon-Fyle et al. 2019: 25).

8 Rationale for diversity impacts

8.1 Values explanatory for different behaviours

Regardless of the specification of diversity to gender or ethnicity and culture, the mixture of people from different backgrounds and attitudes inevitably linked to different values. However, different groups follow alternative values and attach varying importance to the individual aspects. Adams and Funk (2012) define a variety of values to assess beliefs and attitudes, predominantly in managerial levels.

The first value of self-direction defines how the leader's thoughts and actions are independent of anyone else's within the organisation. The value examines the leaders' identity and decision-making power, and manoeuvrability. If a leader's self-direction value is high, he or she will be able to lead the organisation's efforts towards D&I.

Furthermore, the value of stimulation deals with the perception of changes, challenges and developments and how these encourage the recipient to act. Concerning business practices, excitement and novelty serve as stimuli and thereby determine reactions. If a leader is open to change and can absorb and process stimuli, establishing a diversity-friendly working climate is easier to achieve.

Moreover, perceptions of achievement vary between managers, as different individuals attach significantly varying importance to personal achievements and successes. However, these achievements reveal competencies of managers resulting from their attitudes, beliefs and perceptions. The more different these backgrounds are, the more variable is the perceptions of performance.

Besides, security is perceived differently by people from varying backgrounds. The difference becomes evident when comparing leaders of different genders. The perception of security, harmony or stability within an organisation is contrasting and more important for women than men. Therefore, a leaders' relationships with staff and diversity in the workplace are influenced by how security is perceived.

Another crucial factor, especially concerning diversity, can be determined by conformity. It describes the extent to which leaders reserve their actions, inclinations or impulses to avoid violating expectations and norms, leading to the avoidance of upsetting or hurting people of different backgrounds. The leaders' ability to conform can potentially positively impact a company's perception of diversity.

Furthermore, benevolence is essential for the in-group feeling that D&I aims to create. It is about promoting and maintaining the well-being of members of the group or organisation to create an enjoyable and inclusive working environment. If leaders place a high value on benevolence, they will be more likely to engage with and support diversity issues.

The value of universalism plays a significant role in ESG data. The aim is to preserve the well-being of both nature and humanity by understanding and appreciating their presence and their ongoing changes.

Therefore, the gathering and joint working of managers from different backgrounds lead to the interplay of different levels of commitment to the declared values. As a result, a colourful interplay of thoughts and perspectives is created. As a rationale, this helps to understand why diverse teams can change financial performance positively (Adams & Funk 2012).

8.2 Explanation within gender diversity

The appearance of an increased female representation of women in the broader workforce, and especially in leadership teams and boards, produces gender diversity in organisations. However, the question arises on how this construct can create benefits for organisations.

According to Nelson (2013: 13), women and men display varying attitudes regarding the world of finance and economics. Based on several gender studies, she examined that women's attitudes are more likely to be risk-averse while focusing on long-term objectives and outcomes. Moreover, she researched that women, in general, are more likely to know to the full extent of risk and can undermine this while keeping in mind the adverse outcomes of a potential failure for the economy and its workforce. In comparison to male leaders, women are less susceptible to overestimating themselves and their actions while simultaneously featuring less competitive characteristics (Nelson 2013: 13).

According to Adams and Funk (2012), it has further been examined that women are less likely to engage in the so-called "old boy's behaviour", which refers to informal networks. This behaviour is characterised by social and business connection in which members use their power to give an advantage to applicants from similar backgrounds (Cambridge Dictionary n.d.). Additionally, women develop more independent thoughts that are unrelated to other individuals within the organisation. They are also evidenced to be less concerned with competition and competitiveness. Besides their actions and thoughts, women pursue different values than men, such as altruism, universalism, stimulation and benevolence, by being more likely to reject traditional values. Therefore, it is evident that their decisions conform to the views and desires of stakeholders. However, for men, it is more about actual achievements and positions of power, which can be classified as values of personal improvement (Adams & Funk 2012).

Table 5. Masculine and feminine Stereotypes (Nelson 2012: 13)

Masculine Stereotypes and Finance	Feminine Stereotypes and Caring Labor
risk-taking	careful, protective
competitive	cooperative
self-interested	altruistic
impersonal	warm
mastery, competence	"naturally" arising

There are several stereotypes attributed to either men or women, shown in table 5. As previously explained, men are expected to be the workers and leaders of society. Therefore, they are reputed to be selfish and impersonal risk-takers, designed to run organisations without fear. In contrast, the female social image takes on a caring role, displaying qualities such as kindly caring and protecting others while subordinating to the male characters.

However, the different roles and expectations towards man and women's attitudes are also given in biological explanations. According to several studies, the prenatal hormones of both genders differ fundamentally. The individual level of testosterone provides one example. On the one hand, men are born "systematics" by nature, which puts them in the role of leaders or organisers. On the other hand, women are born as "empathisers", supporting and following the structures created by men (Nelson 2013: 13).

As a result, the tactic interaction between male and female workers in executive teams brings the suitable composition of characteristic trades that balances out the male-dominated attributes and therefore provide financial benefits to organisations.

8.3 Explanation within ethnical and cultural diversity

The dimensional model developed by the psychologist Hofstede explains the benefits of ethnocultural diversity. His model examines six independent dimensions based on different cultural beliefs and core cultural assumptions.

The power distance index indicates how members of a society accept unequal treatment and distribution of power. While members of countries with a high value accept hierarchy, those with a low value strive for equal treatment. The dimension is particularly evident in the functioning between employee and supervisor regarding opinion formation, decision-making and decisional style.

The degree of interdependence of the members of a society is discussed using the individualism versus collectivism index. While individualistic societies focus on the self, collectivistic ones emphasise group responsibility. Therefore, the index characterises cultures by different perceptions and ways of dealing with personal and professional time, development and training, or personal skills, which depend on the interdependence of individuals within a society.

As discussed in the context of 8.2, the index of masculinity versus femininity indicates a society's approach to competition, success, and welfare. Therefore, it categorises male and female-dominated societies. Moreover, the index deals with personal achievements and related recognition, relationships among employees and those with superiors, and emotional matters.

Beyond this, the uncertainty avoidance index discusses the likelihood of the degree to which individuals avoid or take risks or uncertain outcomes. Countries with a high index are risk-seeking and comfortable with uncertainties. Those with a low UAI are risk-avoidant. Uncertainties in the workplace are mostly related to the rule orientation of employees and various stressful situations caused by disagreements, unclear rules, or free work arrangements.

Particularly important in diverse teams of European/American and Asian employees is the long versus short term orientation that addresses current and future challenges of an organisation. Long-term oriented countries maintain norms and recognise change as critical, while short-term oriented countries encourage changes, amendments, and modifications.

The final dimension, indulgence versus restraint, indicates how members of a society feel free to realise their aspirations. Indulgence allows members to enjoy leisure time and pursue their interests, while restraint societies tend to prohibit personal pleasure by indicating a greater focus on work (Mor Barak 2016).

Ethnocultural diversity implies that employees originate from different countries and therefore attach varying importance to the values as mentioned earlier defined by Hofstede. As a result, there are divergent views based on the cultures of the country of origin. Similarly, a diverse workforce displays various perspectives, interests, attitudes and thoughts, resulting in diverse ways of thinking within an organisation. Therefore, the organisation can benefit from diverse members from different ethnocultural backgrounds, as the mixture of thoughts stimulates value sharing, discussions, empowerment and recognition. In this way, new structures and ways of thinking are brought into organisations, which stimulate and serve as sources of inspiration for members of other ethnicities and cultures who initially follow different norms.

9 Measures to promote diversity

Diversity in the workforce can positively and negatively influence the company. Whether a company is ultimately benefited or weakened by this depends on the behaviour and actions of the organisation. Additionally, the beliefs of its CEO and board play an essential role. A diverse workforce alone does not provide any benefits other than an ethically improved corporate image.

However, diversity management, a pro-diverse viewpoint, and other initiatives are crucial to reaping benefits from diverse teams. According to Deloitte (2013), "inclusion", a change process characterised by corporate initiatives resulting in a stronger in-group feeling and eliminating a sense of exclusion, helps manage diversity. Furthermore, the results of the Deloitte study demonstrate that the entire achievement of diversity through the creation of an inclusive work environment. By providing a mathematical formula, figure 22 showcases both variables – diversity and inclusion – which must necessarily be mixed to counter-performance improvements and enhanced outcomes.

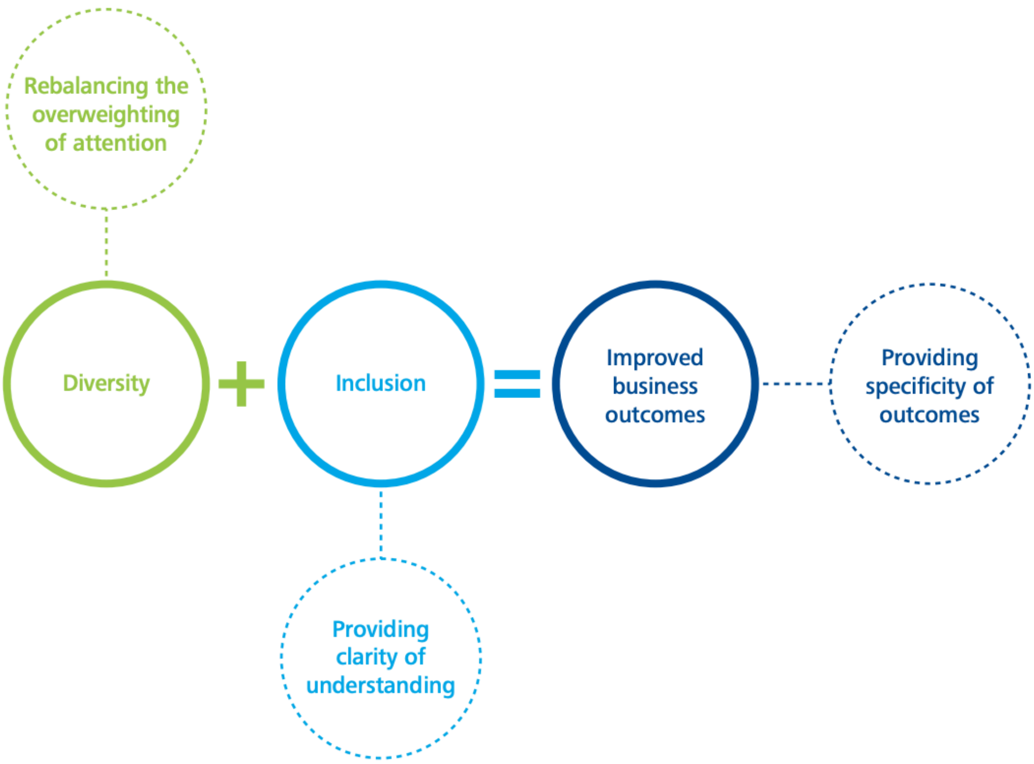

Figure 22. Improving business outcomes through diversity and inclusion (Deloitte 2020: 3)

The formula was substantiated in concrete numbers, illustrated in figure 23. Plotting inclusion on the horizontal axis and diversity on the vertical one, the lower left quadrant (3) shows that the organisation experiences a moderate outcome when diversity and inclusion are low. However, if only one of the variables is increased to high intensity, the organisation will partially benefit from higher outcomes, illustrated by quadrants two and four. Ultimately, organisations that intensify both diversity and inclusion can achieve 1.8 times higher financial outcome, illustrated as the end goal in quadrant one. In summary, prioritising only one variable has some benefit, but unleashing the potential can only be achieved with a concerted but balanced approach to diversity and inclusion.

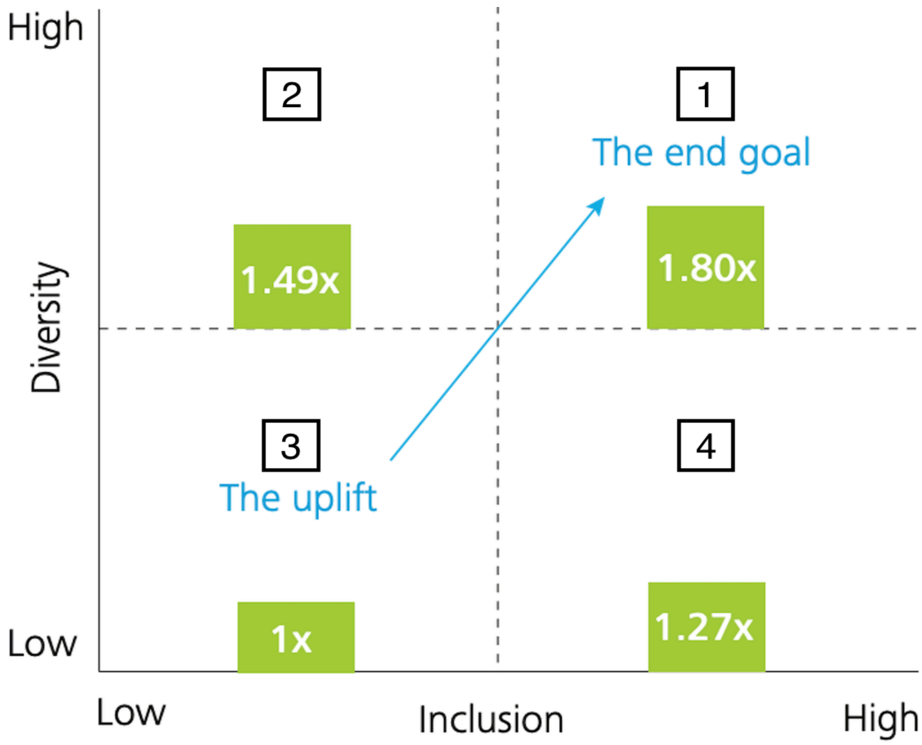

Figure 23. Performance outcomes based on the combination of diversity and inclusion (Deloitte 2020: 6)

Therefore, the overarching goal of the subsequent measures is to instil a sense of inclusion by establishing fairness, equal treatment, and respect. They additionally aim to create a value of belonging and appreciation in which minority employees are seen as value drivers by themselves and their colleagues or superiors (Deloitte 2013).

9.1 CEO as emblematic leader

To substantially embed diversity in organisational structures, organisations need to ensure that CEOs and board members are involved. Therefore, both should share a pro-diversity mindset on the one hand and be diversified themselves on the other. The reason is that CEOs act as emblematic leaders or role models for the broad workforce. Moreover, CEOs decide whether a situation is considered opportunistic or threatening for the whole organisation. Depending on the classification of diversity, the organisation's attitude is rooted in the perception of the CEO.

Ng and Sears (2018: 439) conducted a study to investigate the relationship between employee diversity beliefs and CEO behaviours and attitudes. As a result, they examined that by consistently communicating their beliefs, CEOs can carry their thinking to all levels of the hierarchy. Employees who do not fully understand diversity issues adapt and follow their leader's view. Furthermore, employees decode their leader's messages and apply them consistently in everyday life. If a leader is committed to diversity, this will ultimately lead to a pro-diversity conviction throughout the organisation and vice versa.

To demonstrate their beliefs to the workforce, CEOs should publicly acknowledge diversity within the organisation by highlighting its benefits to stakeholders in meetings, speeches, interviews and press releases. However, a CEO should also be aware of diversity training and management and actively incorporate it into the organisation. The ultimate intention is to promote diversity and related thinking while eliminating discrimination, prejudice or harassment.

The actions of CEOs are replicated in those of HR managers in hiring, recruiting and retaining processes. The HR department is in a position to diversify the workforce, enlarge minority groups, and design diversity management laws and policies. As Ng and Sears's (2018: 439) study indicates, HR managers' actions are positively correlated with the CEO's beliefs. By receiving positive signals regarding diversity from the CEO or board members, HR managers are more committed to implementing this through the realisation of diversity initiatives and the recruitment of a diverse workforce (Ng & Sears 2018: 439).

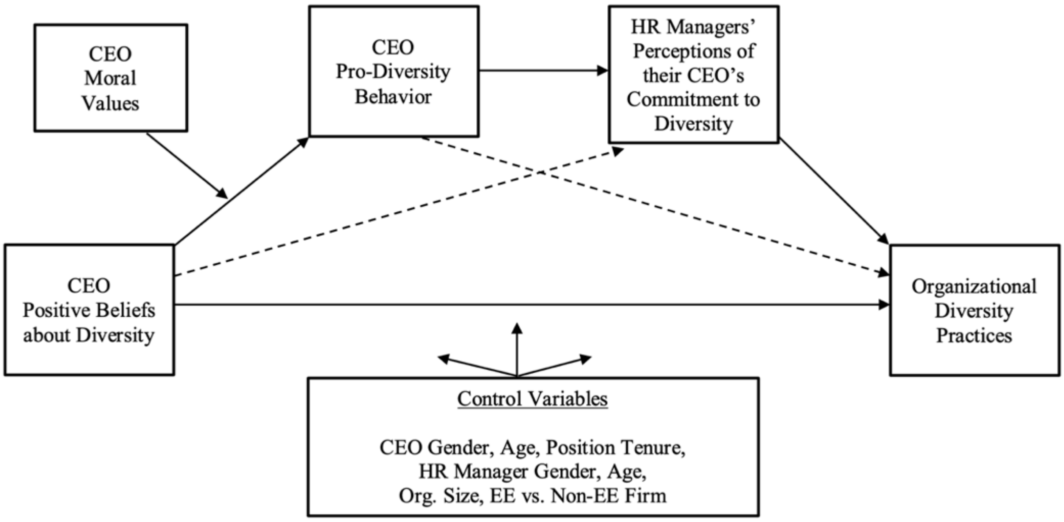

Figure 24. Hypothesized model of CEO beliefs and its influences (Ng & Sears 2018: 441)

Figure 24 demonstrates the positive correlation between the CEO's diversity beliefs and the company's behaviour towards diversity and the positive correlation between the CEOs beliefs and the extent to which HR managers are committed to fostering diversity.

9.2 Diversity management

As previously mentioned, having a diverse workforce alone does not grasp the full potential of diversity. However, implementing intact diversity management can help realise gains by implementing policies or programmes to promote minority groups, improve HR processes and promote inclusion. Thereby, its overarching goal is to increase diversity in the workforce's composition and value the uniqueness of employees.

According to PageGroup (2018), diversity management creates internal and external benefits. On the one hand, organisations benefit internally from improved interaction, a transformation of the corporate culture, and stronger employee loyalty and retention. Furthermore, the results of diversity management result in a more exciting work atmosphere, higher employee satisfaction and increased innovation. On the other hand, the external benefits are represented by improved employer branding and corporate image, access to new customer segments and market regions, increased loyalty among existing customers and service providers, and higher turnover (PageGroup 2018).

Several companies around the world have already successfully implemented diversity management. The Coca Cola Company and Walt Disney, for example, have been working for years to establish effective management by offering training, networking and mentoring to raise cultural awareness of ethnic diversity. Additionally, empowerment measures are directed at the minority groups of women and LGBT employees, including similar activities (Mor Barak 2016: 208).

9.3 Diversity training programs

According to Lindsey et al. (2014), diversity training aims to reduce prejudice within educational contexts and raise awareness of both ethnocultural backgrounds and gender. On the one hand, the objective is to change the behaviour and motivation of staff who do not believe in or refuse to participate in a diverse environment. On the other hand, the views of employees that are already engaged are aimed to be strengthened. Additionally, prejudice and discrimination are targeted to be eliminated by teaching mutual support, respect and understanding. Besides, employees learn how to overcome cultural barriers and backgrounds and possible misunderstandings and stereotypes to work effectively together. Lindsey et al. analysed different training programmes and concluded that two are highly effective and profitable for organisations.

<u>Perspective-taking approach</u>

The perspective-taking approach aims to understand and analyse the psychological experiences of co-workers, subordinates, and supervisors by differentiating how they perceive situations differently from themselves. Self-categorisation and the categorisation of others are usually based on salient attributes, such as ethnicity and gender, leading to stereotyped images and grouping. Through this approach, breaking down psychological barriers within a diverse team helps individuals better understand, compare, and analyse different backgrounds and values to prevent group formation and improve peer self-esteem. By challenging individuals to put themselves in another person of different ethnicity, culture or gender, they can understand the sense of otherness. Therefore, they can liberate themselves from prejudice and judgment and view the other person's actions in a more positive light. As a result of perspective-taking approaches, employees' overall attitudes toward minorities have been shown to improve.

Goal-setting approach

The goal-setting approach supports the proposition that setting challenging, yet manageable goals, leads to improved organisational performance. The improved performance can be explained by the fact that setting a goal generally increases motivation, aspiration, and managerial behaviour. Therefore, diversity training should be conducted by encouraging employees to set individual diversity improvement goals, which leads to enhanced diversity efforts and achievements of the whole organisation. In recent years, the goal-setting approach has been demonstrated to lead to favourable changes in leadership and time management and interpersonal skills. Additionally, employees reported more positive attitudes toward diversity and striving for equality in their work environment (Lindsey et al. 2014).

9.4 Networking programs

The general idea of organizational networking is based on the notion that networking leads to positive outcomes, such as increased opportunities, promotions, increased wages, or improved status. In addition to the benefits to individuals, networking helps teams reinforce social constructs, leading to an overall improvement in satisfaction, mutual support, help and understanding, and a decreased likelihood of isolation. Therefore, it is evident that networking is a popular tool in diversity management to prevent diverse members from feeling excluded, discriminated against, or devalued and eliminate the disadvantages of a diverse workforce discussed in 6.1. Diversity networking aimed to promote the unequal position of historically excluded minority groups in an organization and meet employees' needs with different social identities. Initially, networks were created to inform, support, and advance marginalized employees by connecting them and allowing them to share backgrounds, perspectives, and experiences and build social support, cohesion, and trust. Over time, the benefits have been extended to decreasing feelings of being isolated or discriminated against and increased visibility of individual members and their self-confidence. Ultimately, these outcomes lead to reduced turnover intentions, social inclusion, and a safe work environment where everyone feels comfortable and supported. Networking programs are established for each type of minority group, but due to the focus of this thesis on two specific groups, networking among women and ethnic minorities is going to be explained in detail.

Women’s network

Women's networks are support systems explicitly tailored to the gender minority group. Their overall goal is to empower and enable ambitious women to overcome their fear of competing with male colleagues in professional development, for example, when applying for a higher (management) position. There are several possible events and activities launched by organizations that aim to achieve gender equality. On the one hand, companies offer mentoring programs in which experienced advisors are available to provide assistance and guidance on diversity issues. On the other hand, round tables and annual gatherings with women in leadership positions enable other women to exchange information and address their issues.

Ethnic minority network

The goal of ethnic minority networks is to connect people from different ethnic groups within an organization. Thereby, it is essential to address ethnic minorities and the majority group to create a mutual understanding. This networking aims to make individuals from minorities feel comfortable in their workplace and increase their visibility and awareness. Like the women's network, companies offer various events, such as discussions, workshops, or training to support minority groups and their experiences in the workplace. An exciting example of such training is body language and nonverbal communication, where individuals are taught how to market themselves. According to Dennissen et al. (2018), many employees from ethnic minorities describe the need to initiate cultural adaptations to fit into a new corporate environment. Therefore, there is a necessity to create mutual awareness by sharing experiences and providing explanations through monthly drinks or similar encounters. By creating networks, companies want to ensure that ethnic minorities are not forced to assimilate by pretending to be someone else or behave like the majority group to fit in (Dennissen et al. 2018).

9.5 Intelligent technologies and smart systems

In contemporary society, organisations can benefit from modern technology and intelligence systems to detect or expose bias. By definition, bias refers to the distortion of perceptions of different groups that lead to subliminal stereotypes, prejudices and patterns. This phenomenon is widespread within a diverse team made up of different ethnicities, cultures, and genders. Therefore, it is crucial to address them to prevent being exposed to the disadvantages of diversity. Even in cases where companies put a lot of effort into D&I, prejudices are often still evident and lead to human error or failure. With the help of so-called nudges, which are short videos, podcasts or texts that are freely available from the employer and accessible to the entire workforce, companies can address bias. Through a kind of playful learning, employees can gain knowledge, training and a greater understanding of diversity, inclusion and subtle discrimination in the form of stereotypes and prejudices daily. With greater awareness, individuals can recognise their shortcomings towards correction and personal improvement. The result is a more open-minded, aware workforce empowered to implement and embrace D&I. The key feature of those intelligent technologies the detection of unconscious bias. Beyond that, they can even offer unbiased solutions, which increases the learning success of individuals (Eickermann-Riepe et al. 2019: 39).

An example of such modern technology has been developed by Catalyst (2019), and their so-called "#BiasCorrect Plug-in" tool helps understand own unconscious biases in everyday conversations. The software aims to empower each individual and actively encourage them to work against their personal bias. In the context of the tool, individuals can type in discriminatory or biased expressions, which are consequently analysed similarly to a spell-checker. As a result, the platform suggests replacing discriminatory terms that help employees eliminate their unintentional misused words and phrases. The plug-in is available to anyone on the Catalyst website and can be downloaded for free (Catalyst 2019).

10 Non-compliance with diversity regulations

As indicated in 7.4, it is scientifically proven that companies failing to place (sufficient) emphasis on the diversification of their workforce and management achieve poorer financial results. Apart from suffering internally from homogeneity and more unsatisfactory results, companies often face penalties and sanctions for non-compliance, which can go as far as legal proceedings by the government or commissions.

According to Mattera (2019), 99% of all companies in the Fortune 500 list, representing the 500 largest American companies by annual revenue, were required to make payments to plaintiffs in the year 2000. These were the results of discrimination at different levels of diversity, with each company responsible for at least one incident.

By considering disclosed judgment cases only, 189 Fortune 500 companies were charged a total of $1.9 billion in penalties which were related to the U.S. Equal Employment Opportunity Commission, the Office of Federal Contract Compliance Programs, and a large number of private lawsuits. Combining the Fortune 100, the Fortune Global 500 and the Forbes list of America's largest private companies, the money amount of penalties for resolved cases amounts to $2.7 billion.

Table 6 shows that the origin of most of the cases involved racial and gender discrimination and was caused by poorly executed recruitment and promotion towards these minority groups. The number of gender and ethnocultural discrimination cases is exceptionally high compared to other discrimination categories, resulting in high dollar amounts of fines, exceeding $1 billion for each race and gender (Mattera 2019).

Table 6. Penalty amount by discrimination category. Adapted from Mattera (2019: 12)

Category	**Total Penalties**	**Share of Penalties**	**Incidents**	**Share of incidents**
Race	*$ 1,188,966,893*	*31.51 %*	*237*	*28.97%*
Gender	*$ 1,168,860,140*	*30.98%*	*256*	*31.30%*
Age	$ 239,641,769	6.35%	63	7.7%
Disability	$ 155,435,208	4.12%	144	17.60%
Retaliation	$ 34,266,991	0.91%	39	4.77%
Sexual orientation	$ 31,533,178	0.84%	4	0.49%
Religion	$ 13,976,513	0.37%	26	3.18%

Family Leave	$ 9,144,556	0.24%	6	0.73%
Work environment	$ 2,273,385	0.06%	4	0.49%
Other	$ 9,28,690,000	24.62%	39	4.77%

The findings are consistent with the intention of this thesis to promote gender and racial diversity. Therefore, the following section focuses on the major complaints about each discriminatory act in more detail.

Racial lawsuit: Coca-Cola company

The Coca-Cola Company is an organisation focused on beverages and headquartered in Georgia, USA.

In 1999, several currents and former African-American employees sued the company on behalf of 2,200 similarly circumstanced individuals for non-compliance with the United States Civil Rights Act of 1964. In their complaint, the plaintiffs alleged that they were racially discriminated against by receiving less pay and fewer promotions than employees from majority groups. The employees were additionally able to present numerical evidence revealing that their median salary was one third lower than those of their white colleagues. Furthermore, there was evidence of a near impossibility of promotion and difficulty in rising to top or managerial positions. The reason for this was the so-called "glass ceiling" or "glass wall", which present metaphorical expressions for policies that prevent minority groups from advancement due to invisible barriers.

Although the Coca-Cola company denied the charges, it agreed to a settlement that remains the most extensive corporate racism lawsuit in history. The company was sanctioned with a $192 million settlement and was additionally forced to change its policies and procedures towards racial, ethical and cultural minorities. For five years after the indictment, the company was monitored by a panel called the task force, which tracked policies and changes within the company and concluded in 2006 that Coca-Cola had been able to make significant progress in its policies towards minorities (Business and Human Rights Resource Center n.d.).

Gender lawsuits: Novartis AG

Novartis is a globally acting healthcare company with its headquarters in Basel, Switzerland.

In 2010, the company was sued for $ 175 million due to gender-discriminatory activities. Novartis intentionally treated more than 5,000 female employees unequally in pay and career advancement. The women alleged that reports and complaints to the company's human resources department have been unsuccessful, resulting in an unchanged situation. The incident occurred within a short period after claims of $250 million in punitive damages arose against the company's U.S. unit for alleged discrimination from 2002 to 2007. As a result, the case is considered the most extensive U.S. gender discrimination case in history.

After several weeks of negotiations, Novartis was eventually forced to pay $152.5 million to class members and invest an additional $22.5 million in company-wide improvements in personnel monitoring and performance evaluations. The penalty also provided total compensation for the affected women who worked at the company during those eight years (McCool & Stempel 2010).

As a result, lawsuits and the associated fines caused by the disregard for diversity have a significant impact on organisations. The penalties translate into a loss of image, diminished reputation, reluctance on stakeholders, and unattractiveness for customers and employees. These consequences, while being non-financial, ultimately lead to reduced financial performance and worsened financial results. Customers opt for other compliant companies, resulting in lost revenue and a smaller customer base. Additionally, employees may be willing to move to an employer that matches their values or accepts their uniqueness and standing out from the crowd. Potential employees opt out of companies and pursue the hiring processes of those that value diversity. Besides, investors recognise the negative shift and decide to replace their investments. However, besides the organisational framework, companies also face the obligation to pay a significant amount of money as compensation, which reduces the operating profit as an extraordinary cost.

11 Perceptions of experts

11.1 Definition and importance of diversity

Definition and meaning

Companies and their managers understand, interpret and apply diversity differently. Therefore, each expert interviewed gave an understanding of the term, which further helped understand the rationale for the significance, the arising benefits or challenges, and supporting actions.

The CEO of a leading public transport company understood the concept of diversity in the representation and mapping of today's globalised society. The experts of different sectors shared this view. Moreover, the CEO of a successful IT company added the different levels ranging from gender over ethnicity to different age groups and people with disabilities. This statement was also underlined by the CEO of the global consulting company, who emphasised the conscious filling of positions with people from different regions, countries, ethnic hemispheres or social circles, and the filling with employees of different genders. Moreover, the D&I manager working in fashion retail considered the importance of diversity as a perfect combination and composition of people with different backgrounds. Additionally, the HR manager of one of the world's most successful providers for business software underlined the mixing of different points of view and perspectives arising from diversity.

However, all previously mentioned perceptions mainly refer to the mere composition of diverse people. Other understandings from the investor relations department of an equipment company and the senior manager of a delivery company defined diversity in a different sense by referring to actions and values. One manager spoke about building on empowerment, tolerance and respect by embracing and celebrating the extraordinary and unique in every employee. Another one mentioned creating a non-judgmental work environment and learning processes from and about others, but also oneself. In his opinion, diversity should be the key to making an employee feel valued and at home in their workplace.

Reasons for increasing importance

Globalisation and internationalisation

One of the most frequently mentioned points why employing a diverse workforce is becoming more significant is explained by the increasingly diverse population. All experts, regardless of their industry, agree that ongoing globalisation leads to more nationalities and cultures within a country and ultimately within an organisation. A workforce consisting only of native people has not existed for a long time. Besides, the market itself is becoming increasingly international. Therefore, an essential prerequisite for surviving in the global market is a company's ability to act in an agile and flexible manner.

Attractive brand image

Regardless of their specific industry, the experts interviewed agreed that the need for diversity stems mainly from the goal of becoming and remaining an attractive employee in today's globalised society. Younger generations are demanding support for minorities and equal treatment, leading to diversity being a necessity for attraction. Suppose support for diversity is not visible in organisational structures. In that case, younger generations will be quick to remove companies from the selection of potential employers, in addition to spreading the negative brand image through word of mouth or the internet. A deteriorating reputation, which discourages other potential employees from applying, is the result. However, these generations are the key to a successful future. When it comes to diversity as a measure for an improved brand image, experts also mentioned people's critical view of diversity ending in discrimination or the like. Valuing diversity aims to set an example against this by proving that diverse employees provide an organisation with a significant added value that promotes it socially and financially.

The expert from one of the most successful delivery companies in Europe also mentioned the company's continued growth and thus the expansion of the recruiting area. Global growth is inevitably linked to attracting and retaining new talent, as companies naturally aim to obtain the best employees. It is necessary to recruit globally to capture tremendous potential and expand the talent pool. Moreover, disadvantaging certain minority groups lead to a less successful future for the company. His statement is supported by the D&I manager of a global law firm who pointed out the groupthink of working in homogeneous teams. In contrast, a diverse workforce can avoid this phenomenon by allowing individuals to contribute perceptions from different perspectives.

Serving of customers

Another reason given was customer contact, which is of utmost importance for professionals from all industries, especially for public transport and retail. The experts explained that customer contact and interaction has always been an important success factor. However, communication in today's society more difficult, as customers from different backgrounds follow different values and have different perceptions. Therefore, the experts agreed that companies with diverse employees who reflect the population very well are more successful in serving customers according to their wishes and ideas. For example, the transport company CEO mentioned the processes of writing letters, documents, and tenders, which are simplified when employees speak the respective languages. In addition to the language itself, it is crucial how messages are conveyed in terms of language style, forms of politeness, etc.

Diversity creates trust. Regardless of the application area, experts unanimously confirmed that customers need identification figures to build trust with companies. The trust relationship becomes more robust if the identification figure can understand the customer, which is ultimately ensured by people with the same background, culture or ethnicity. As a result, customer satisfaction increases, and brand loyalty intensifies. Therefore, experts underlined the increasing importance of diversity to serve each customer according to their needs.

Furthermore, the financial services expert made it clear that customers' expectations are shifting. With the help of the internet, digitalisation makes it easier to use financial services in other parts of the world if expectations are better met elsewhere. For example, a Mexican-American customer can easily switch to institutions in their home country, which alleviates cultural issues and language barriers. However, suppose American institutions provide a competent representation of a diverse workforce. In that case, the citizen can be satisfied to the same degree according to expectation in America.

In terms of how services and non-physical products are offered, the consultancy expert pointed out the importance of understanding local behaviours and ways of thinking. Hiring staff from different countries who know the respective local markets enables the company to serve clients with similar backgrounds as experts. A homogeneous team would not accomplish the same and act accordingly in the respective market.

According to the D&I manager of an online shopping platform, a particular focus was placed on gender diversity in fashion retail. As women represent the most extensive customer base, the promotion of the businesswoman aims to show female customers that they are valued. The aim is to make women aware that they are shopping at a company that supports women, is available to them as an attractive employer, especially in managerial positions, and is committed to combating gender discrimination and promoting equality.

Financial aspects

Alongside the demographic aspects previously mentioned, the human resources manager of the enterprise software company pointed out the increasing importance of diversity due to arising financial advantages. She referred to several cause-and-effect relationships between diversity and financial KPIs that positively correlate. As a result, a significant dollar amount follows a one per cent change in the workforce composition. With this numerical evidence of the positive impact of diversity in mind, modern companies seek to benefit from a broader range of human capital.

In summary, the increasing importance of diversity formulated in chapter 5.4 is supported by the experts of all sectors. In many cases, they refer to the same aspects, such as globalisation, brand image, and customer and market understanding. However, they provide additional evidence for the urgency of diversity. Therefore, the inductive approach allows the generalised assumption that it is unquestionably and without exception necessary for companies to deal with diversity issues and promote diversity in the workplace.

11.2 Challenges and benefits

Disadvantages and challenges

Time expenditures and costs

Regardless of the industry, there is no longer a one-size-fits-all approach to HR management. In contrast, a diverse workforce requires a more individualised approach to leadership adapted to the different mentalities and backgrounds that employees bring to the organisation. On the one hand, this requires exceptional leadership skills and, on the other hand, continuous development of personal skills and training to educate both staff and leaders. However, this increases the time requirements and costs and the amount of bureaucracy and documentation. Alongside this, embracing diversity also creates the need for new anti-discrimination policies, such as zero-tolerance or anti-bullying policies. However, the elaboration and implementation of such policies require considerable effort.

The experts further agreed that becoming increasingly diverse is a constant process that will never truly be completed. Improvements and changes are necessary at any time, which again requires a considerable amount of time and effort. Furthermore, the implementation and realisation require courage from the managers, as unawareness can lead to misery. Especially if the company is in a phase of structural change, the additional burden of yet another change will be a significant challenge for the organisation, creating stress and pressure that may harm the quality of work.

Interpersonal and intercultural concerns

Even when adequately established, diversity can lead to a significant challenge. The origin from different countries and thus different languages and cultural dimensions lead to interpersonal and intercultural problems and misunderstandings between employees. These misunderstandings may arise from language barriers, work mentalities or different business labels. As a result, this may result in work slowdowns, lack of motivation or an unpleasant working environment. Mutual understanding and trust are sometimes lacking within a diverse workforce, as employees' thinking is often tainted with stereotypes and prejudices.

Given that some staff are not familiar with the local language, managers have to hold meetings in the universal language of English. Furthermore, instructions and resources need to be made available in several languages, which increases the expenditure of time and costs. In general, continuous communication between employees and the understanding of and compliance with guidelines needs to be ensured, resulting in increased bureaucracy.

Recruitment processes

Alongside the employment of a diverse workforce, companies face the challenge of attracting, recruiting and hiring employees of different backgrounds. First and foremost, organisations need to ensure a particular attractiveness to a broad target group and meet the requirements and demands of different national standards. However, the requirements can be contradictory, which puts the company in deciding which bid to follow. Therefore, HR and D&I managers agreed that both a qualitative and a quantitative approach to recruitment is needed, requiring more effort, cost and time.

Advantages and benefits

Knowledge pool

The most frequently mentioned answer of how a company can benefit from a diverse workforce was the larger pool of knowledge derived from different backgrounds. Employees bring different techniques and working methods to the workplace that can either be used by others or even improved. In general, a diverse workforce provides access to a broader range of opinions and viewpoints. Moreover, the exchange of opinions leads to mutual support and groupthink is generally excluded. In contrast, individual opinions and perceptions are brought into the group to be discussed and evaluated. Furthermore, diversity and inclusion create a work environment where employees can express their ideas without fearing disapproval. As a result, a pleasant atmosphere to inspire and contribute to the organisation's overall success is established, leading to a more creative and innovative workforce and a pleasant working environment.

Identification

According to the experts, all sectors greatly benefit from a diverse workforce for identification on both sides. On the one hand, it allows employees to identify with the international market, thus covering a broader spectrum of expectations, values and attitudes. The explanation lies in the broader insight into different cultural structures that diverse workforces can offer. A necessity at the core of a consumer goods company is to understand its customers and meet their needs. Therefore, a greater understanding of the norms of respective countries is of great importance. On the other hand, it is also crucial that customers identify with the company. However, due to the internationalised population, companies can only create a figure of identification for each individual through different ethnicities, cultures and genders. As a result, trust in the company is created, leading to increased buying behaviour, brand loyalty and overall satisfaction. Happy customers share their experience with others, which expands the customer base, sales, and reputation.

Flexibility

The D&I manager of the clothing retailer supplemented the overall benefits by referring to the fast-moving nature of the market. A company needs to be flexible and adaptable to compete and survive. Therefore, it is crucial to quickly recognise, grasp, and react appropriately to these changes. All this is given when a diverse team is employed, as representatives from each country can easily decipher local changes and new norms. In contrast, a homogeneous group would first have to study the national structure to understand the change and adapt accordingly. As a result, a heterogeneous workforce is always one step ahead.

Improved individual performance

Through years of experience, the equipment manufacturer's manager pointed out the importance of valuing every employee. An inclusive structure that values diversity helps employees live out their whole selves without fear of judgement or bullying. Therefore, each employee must be valued in their uniqueness and recognised for their contribution to the organisation's success by bringing in information derived from their background. If this prerequisite is met and employees feel valued, they will be maximally motivated and realise their full potential. The performance, commitment and willingness to perform are significantly higher in a company that supports D&I. The financial services manager complemented this finding by pointing out the increased employees' openness, willingness to learn and loyalty to the company.

Business networking

The CEO of the consultancy added the benefits arising from networking. In today's fast-paced world, companies need to build relationships to show visibility, disseminate important content and take positions. Companies with diverse employee backgrounds benefit from diversity when networking, as each individual already has a personal network that can be linked to that of the company as a whole. Since employees originate from different countries, global anchoring is easier to realise. Moreover, these individual networks help gain a foothold by getting to know local requirements when launching projects in new countries or regions. In the process, they help get to know local requirements, complying with approval processes, or simply understanding the markets.

Heterogenous teams as success factor

When referring to heterogeneous teams in the context of this thesis, the term encompasses a diverse team made up of different backgrounds, ethnicities, cultures, and gender-related background. The question of why heterogeneous teams are more successful and thus an essential success factor for companies was answered unanimously by the experts, regardless of their industry.

Working with a wide range of personalities from different backgrounds enables employees to create an understanding of different positions. In this way, men can better envision the positions of women while white people can better visualise the perceptions of POC. Additionally, one complements each other more effectively, as different and diverse ways of thinking are brought along. Thus, the teams can evaluate the working points from different perspectives. Thereby, the general angle of the company is broadened, and benefits from different experiences derive, such as increased creativity and innovation and enhanced ability to solve problems. Furthermore, the needs of both internal and external stakeholders, clients and customers are better understood, which leads to more appropriate, tailor-made solutions, translating into satisfaction.

Personal benefit for individual employee

In addition to the overall economic benefits that diversity and inclusion bring to the company, the experts explained the personal benefits that add value to the individual employee. However, this is particularly important to benefit the organisation indirectly. Employees' motivation and willingness to perform depend on their state of mind and level of satisfaction within the work environment. If they perceive themselves as valued as a person, it will enhance their willingness to work and thus their results. Furthermore, employees must realise that they get something intangible from the company besides their monthly salaries, such as recognition and acknowledgement.

On the one hand, mutual understanding and appreciation create a sense of belonging and connectedness within the company. Being able to express oneself and act without the fear of being hated has a positive effect on employees' psyche and psychological well-being. As a result, employees' personalities are strengthened, leading to a more confident demeanour, increased productivity and financial success.

On the other hand, the daily training in the company and dealing with respect and understanding offer added value in everyday life, as today's society is equally diverse. Everyday life confronts different backgrounds but does not provide the opportunity for training. The more insights employees get into other cultures, other living conditions or contexts, the more open our society becomes. However, this also benefits companies. Employees are trained to deal with different cultures from different economic areas and are thus suited to be deployed in subsidiaries or affiliates, bringing more excellent value to the company.

In summary, the insider knowledge of the experts can be summarised as follows. Modern problems are best solved with a team that reflects current social criteria, such as a team composed of different characters with varying knowledge, skills sets and problem-solving approaches. As each client brings different strengths and challenges, it is crucial to understand and act upon them in detail. The inductive analysis allowed the generalisation that a diverse workforce creates various benefits to a company. Even though the experts noted that their companies do not measure these benefits in concrete financial KPIs, they all spoke of a visible improvement in overall success. However, they added that the mentioned benefits indirectly support and increase success, as they lead to a higher rate of innovation and productivity, a more extensive customer base and thus more turnover, and higher motivation and increased performance of employees. Furthermore, some of them pointed to the McKinsey study's KPIs, which is also used as a source for chapter 7. Although the companies did not measure themselves, the experts claimed that there was indeed a positive change in KPIs due to diversity.

11.3 Measures

Strategic plan

Three out of nine experts have implemented a strategic plan to support diversity in their company. The plan usually includes the communication of the issue through all levels of hierarchy and having a clear agenda to follow to achieve the set diversity goals.

The investor relations manager of the equipment company explained that their strategic plan is still in its early stages. However, the ultimate goal is to address and communicate the issue of diversity through various channels. He underlined the importance of detailed planning for a successful implementation. Additionally, a precise calculation of budgets and expenses available for implementation is necessary. Furthermore, his company pays attention to anchoring a diverse perspective in the mission statement to communicate targets to the general public. The plan is intended for a long-term horizon and as a guide and reminder for each employee to constantly work on improving attitudes and openness to the new and unknown. Therefore, if properly used and executed, a strategic plan will provide a competitive advantage to the company.

Similar were the arguments and justifications of the senior manager within the delivery area, whose company is already operating with a strategic plan towards diversity. Although the company has already made great diversity efforts by achieving a certain quota of women, there is still great potential for further improvement, especially IT. Therefore, the goal of a higher percentage of women in tech is addressed. Additionally, the strategic plan includes the focus on inclusion, as the company firmly believes that a diverse workforce will only bring benefits if it is adequately managed. Doing this means valuing each employee in their uniqueness. Therefore, this mindset is embedded in and communicated through the hierarchy with the help of the strategic plan. Finally, the plan includes tools to improve efforts, for example, through diversity management. It is crucial to carry out accurate documentation, as the plan serves as a guide and its associated milestones need to be measured in detail.

The D&I manager of the global law firm highlighted the importance of a strategic plan by pointing out the direction it provides to the company and the accountability it delivers. She underlined the great relevance of having a plan to follow, as otherwise, the actions and ideas could be lost without accurate performance measurement and schedule. Therefore, her company published its internal and external goals to build trust with stakeholders and meet their expectations. Stakeholder satisfaction is essentially crucial as a sub-group is presented by potential employees and customers. On the one hand, the company needs to be attractive to applicants and, on the other hand, customers as they should choose it as their service provider.

Diversity management

Six out of nine managers have established diversity management in their company and thus processes and activities to support and maintain diversity. The reason is that a diverse workforce alone does not bring the full potential benefits, but combining it with the proper management does. Additionally, all managers indicated that the associated measures help eliminate potential threats. The measures aim to empower minority groups, which helps them grow as individuals and benefit the organisation by increasing their engagement and performance. Furthermore, the measures also provide people from the majority community with an understanding of their privileges, which leads to increased empathy, openness and an inclusive working environment that opens up opportunities for a successful business.

The senior manager of the delivery company explained that his diversity management aims to drive an inclusive leadership style with fair systems, which creates an inclusive culture that empowers employees. Additionally, a dedicated diversity team has been introduced to focus on D&I and related recruitment processes.

The D&I manager of the law firm pointed out the particular need for diversity management, as the workforce needs both guidance and direction to keep the company on the path to diversity. However, she added that equally, the company has to pursue D&I goals, and it is not just the task of diversity management or HR.

Besides, the D&I manager of the retail clothing sector mentioned specific diversity management measures that are currently in place. For example, he mentioned several gender diversity policies, such as a career development policy tailored to women or more elastic conditions regarding maternity leave. The company offers versatile work systems that eliminate a traditional schedule to adapt to the latter, which creates flexibility for women. However, the company also targets a twisted image of traditional families. It, therefore, offers maternity leave for men to enable women to generate the primary source of income for the family.

Similarly, the HR manager of the software company confirmed the specific promotion of women through the implementation of talent sourcing activities. These include, for example, preferential recruitment with equal qualifications or development programmes tailored for women. Additionally, her company offers a business women's network to provide a platform for information sharing and mutual support with the overarching goal of career advancement. Furthermore, the board introduced a "women in the tech" programme to underline the company's commitment to the UN Global Goals for Sustainable Development, which addresses gender equality. Webinar sessions on various topics, such as women's professional growth, are hosted to empower female employees and provide them with ongoing training. However, diversity management initiatives also target ethnic diversity by tackling prejudices, stereotypes and clichés. With the help of modern software, hiring decisions and other organisational processes are evaluated to eliminate bias-based practices or decisions.

The communications executive in financial services explained that her company's committee arranges monthly meetings to discuss and monitor D&I efforts. Accountability for programmes initiated and recommendations for development and improvement are discussed. She added that the committee includes the CEO of the company and top managers of each department. The explanation is prompted by the need to anchor diversity in leadership positions, as they act as role models for the remaining workforce. In this way, diversity is communicated across all hierarchical levels. Activities such as workshops to reduce prejudices are carried out, and training programmes have been implemented that aim at an inclusive mindset and sensitisation. To value minority groups of different ethnicities, the company celebrates heritage months to respect their history and background. Exemplary month are February for Black History Month, May for Asian Pacific Heritage, September for Hispanic-Latino Heritage or November for National American Indian Heritage. Furthermore, networks and employee groups are set up within the respective ethnic groups to share cultural values, establish new contacts, build associations and, most importantly, generate mutual understanding, awareness and empathy towards other ethnic groups. In terms of gender diversity, the company has implemented leadership programmes and training in collaboration with female leaders to ensure support for women's personal and professional development.

The D&I manager of the law firm shared more detailed information about her diversity measures. She mentioned that every new employee joining the firm must undergo mandatory diversity awareness training. The company regularly offers this mandatory training to every employee in on-demand or ad-hoc training. Besides, the company offers both mentoring and reverse mentoring programmes, where employees are provided with a supervisor on a long-term basis for questions, suggestions and problems. In line with the other companies, the D&I measures refer to employee networks to provide collegial support. The measures aim to create an inclusive environment, inclusive thinking, and fair and equal treatment. However, her diversity management also aims at identifying poorly rated areas of diversity to be improved with the help of practical measures.

Regardless of their company, experts have identified a noticeable improvement following the introduction of diversity management. In general, it has led to peaceful and harmonious interaction between different genders and nations and the creation of an inclusive work environment. Both enabled employees to feel valued in their role and gave them the confidence to contribute their ideas and opinions. Although diversity management could not eliminate prejudice and bias, companies could significantly reduce them. As a result, employees were better able to understand others' positions and related perspectives. Equal opportunities and equal treatment resulted from the activities carried out. Ultimately, this resulted in increased staff motivation and engagement, the realisation of each individual's full potential, increased understanding and enhanced visibility of minorities. Moreover, a safe space and a shared sense of belonging were created, which resulted in staff retention. These impacts are positively linked to increased business success as they function as non-financial KPIs that enhance individual and organisational performance.

11.4 Overall perspective

The experts were given the task to name both advantages and disadvantages resulting from a diverse workforce. Nevertheless, when asked whether the extent of advantages outweighs the disadvantages, they all gave an unequivocal answer – yes.

The reason is that diversity is experienced as a multi-layered and complex process, whose financial effects are particularly evident in the long run. Consequently, any disadvantages may become apparent soon after implementation but may subside over time. However, in the long term, diversity is necessary to achieve sustainable success. Experts additionally admitted that diversity benefits follow as a consequence of correct and inclusive leadership. In other words, if a company only focuses on the pure recruitment of diverse backgrounds, the disadvantages will be more likely to occur.

Lastly, all experts recognized diversity as inevitable to be competitive and viable for the future. Not only to present an attractive image to customers, employees and other stakeholders, but also to demonstrate strength in adaptability, the establishment of trust and increased innovation, productivity and eventually financial performance.

12 Conclusion

The implementation of diversity in the workplace is a relatively emerging trend. However, the increase of employees from minority groups, such as women or ethnically less represented employees, is becoming increasingly important. Due to self-reinforcing and automated processes such as globalisation and the internationalisation of the world and its population, it is self-evident that a company has long since ceased to employ only local personnel. In addition to demographic changes, the demand for workplace diversity and equality is rising. Younger generations, for example, are urging companies to focus their efforts on diversity, as they no longer see it as a unique selling point but as an essential requirement. Especially when it comes to the competitiveness of organisations and the fight for the best and most qualified employees, companies have to meet the demands of these generations, as they make up the majority of the working-age population. Governments of various countries and trade unions around the world have also recognised the importance and, therefore, aim to ensure that companies meet diversity requirements through specific quotas and regulations. Again, their overarching goal is to empower minority groups through equal opportunities. But in addition to social and governmental requirements, organisations themselves are becoming more aware of the impacts of a diverse workforce on organisational success. As a result, they seek to promote gender and ethnic minorities, as they recognise the potential benefits they bring to the organisational structure.

Workplace diversity is a non-financial KPI that has both a direct and indirect impact on the company's financial performance by resulting in several potential impacts. As part of ESG data, non-financial KPIs are a relatively new phenomenon in financial reporting. However, they are of great importance as they help modify internal processes and achieve strategic goals that ultimately influence the success of an organisation. Therefore, companies can demonstrate cause-and-effect relationships between KPIs, showing, for example, that a 1% change in a particular non-financial KPI leads to a vast improvement in a financial one. As diversity can be categorised as both social and partly governance, it is a crucial ESG metric for companies to focus and work on and understand its overall importance and specific impacts on the company.

As non-financial KPIs do not necessarily have a favourable impact on organisations, diversity in the workplace needs to be critically analysed to capture possible positive and negative outcomes. Like other non-financial KPIs, diversity is a challenge for organisations, especially in the first years of implementation. A typical scenario observed in every society is discrimination, bias, stereotypes and prejudices that make work difficult and worsen the organisation's environment. Besides, the confrontation with different working styles, languages and interpersonal conflicts may potentially jeopardise productivity or lead to misunderstandings. It is essential to understand that these impacts, both positive and negative, only indirectly affect business performance and financial results. The implication is that the impact itself does not increase or decrease a financial metric but instead drives processes that lead to financial success or loss. However, they directly impact the organisational processes of a company.

Nevertheless, many potential benefits represent excellent value for the organisation and the individual employees. Companies can benefit from a diverse workforce in many ways, which additionally outweigh the potential threats. When recruiting and sourcing employees, organisations are provided with a larger talent pool, resulting in a competitive advantage. Furthermore, the retention of skilled workers is easier achievable because they feel valued in the organisation and are therefore willing to continue working. Another associated advantage is the improved image and reputation of the company. Moreover, it is more attractive to potential and current employees and other stakeholders such as customers, investors, or the general public. When it comes to customer and market understanding, a diverse workforce can reflect the market and provide an identification figure for each type of customer and their respective background. A greater customer understanding leads to retaining customers, meeting their expectations to the letter, and offering tailor-made services according to their attitudes or even in their mother tongue. Besides, the encounter of different types of employees stimulates the mindset and the exchange of information and feedback, ultimately resulting in a higher innovative power and problem-solving ability of teams. Thereby, the diverse collection of skills and talents complement each other. Finally, the benefit to the individual employee is psychological and goes back to an empowering work environment and the opportunity to live out the true self without the fear of being judged or the need to adapt to fit in.

However, companies need to pay attention to providing an inclusive environment. The formula for realising the potential benefits and discarding the disadvantages lies in the fusion of diversity and inclusion. In this context, the term inclusion itself describes the variety of measures and initiatives implemented by organisations to create a sense of togetherness and appreciation of each individual. Diversity management, for example, aims to realise the full potential of diversity through policies and programmes such as diversity, networking programmes or intelligent systems. The outcomes add up to improved interactions, a strengthened corporate culture and increased employee satisfaction, offsetting the potential threats that diversity may pose.

In addition to the potential impacts, several studies found explicit changes in financial metrics resulting from a higher representation of women and POC and the implementation of an inclusive environment. Based on these studies, companies have demonstrated financial benefits generated through a diverse workforce by providing concrete numerical evidence of the impacts. Companies that display higher female representation can increase their EBIT margin by up to a quarter and their profit margin by up to a fifth, enabling them to be ranked as top-quartile companies with the highest performance results. Additionally, a higher female ratio leads to a higher return on equity, a higher price-to-book ratio, a higher payout ratio and significantly higher annualised average returns. By employing diverse ethnicities and cultures, companies can achieve up to one-third higher EBIT margins, more than one-third higher profit margins, and up to 15 times higher sales and an expanded customer base.

In contrast, the studies also imply financial underperformance due to homogeneous teams or non-compliance with diversity requirements. The lack of female representation leads to underperformance of up to one fifth. Combining it with a lack of POC costs a company about one-third of its performance. Besides, non-compliance often results in specific penalties from governments, leading to lawsuits, loss of image, deteriorated reputation, deterrence from stakeholders and unattractiveness to customers and employees. These ultimately lead to reduced financial performance and deteriorated financial results, and the obligation to pay a significant amount of money as compensation, which reduces the operating result as an extraordinary cost.

In addition to the number-based findings, the survey of competent experts from various industries confirmed the importance of diversity in the workplace and its increasing need. Even though they acknowledged minor negative impacts of diversity, they were unanimous that the benefits ultimately outweigh the disadvantages. Moreover, they stated that workforce diversity is necessary to make a company viable and competitive for the future. As an additional point, they noted that the benefits usually only materialise in the beginning years of implementation, when the structures are not yet fully established and the outcome has not yet been determined. However, they also remarked on the almost complete elimination of threats and the benefits if a strategic plan to deal with diversity is implemented, diversity management is established, and a pro-diversity mentality is embedded in the management levels.

As an overall result of the research conducted, it can be stated that diversity in the workplace does indeed significantly impact organisations and that both gender and ethnocultural diversity have a high potential to benefit the company financially and organisationally. On the one hand, there are indirect influences that first affect the company as a whole and the organisational structures by changing processes, attitudes, and perspectives. However, this ultimately increases the financial ratios as increased efficiency and effectiveness lead to enhanced fiscal performance. On the other hand, there are direct influences that directly impact several financial metrics. Therefore, it is essential to recognise that the impacts of minorities, such as women and POC, encourage companies to realise their potential, look beyond prejudices, and ultimately promote equal opportunities and treatment.

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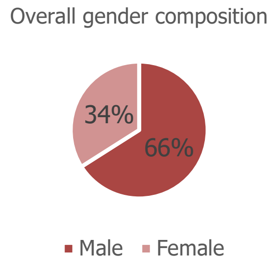
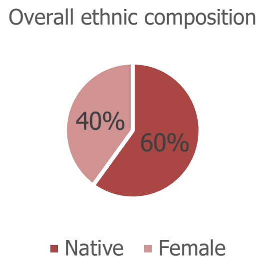
Interview questions

1. What does diversity in the workplace generally mean to you?
2. Why is it increasingly important to employ a diverse workforce?
3. What challenges and disadvantages arise for your company as a result of employing a diverse workforce?
4. How does your company benefit from a diverse workforce?
5. Why are both gender-balanced teams and teams with different ethnic and cultural backgrounds an indicator of success?
6. Does the implementation of diversity also bring personal advantages for the individual employees in addition to the overall economic benefits?
7. How can financial success be increased through diversity?
8. Does your company have a strategic plan to promote diversity?
9. Does your company have a diversity management?
10. What activities are carried out as part of diversity management?
11. What are the outcomes of diversity management?
12. Can you provide information on the composition of the workforce level by gender or ethnicity?
13. Do the advantages of diversity outweigh the disadvantages?
14. Do you think that the focus on diversity is necessary to make a company viable for the future?

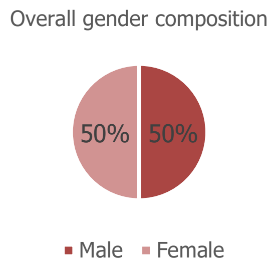
Workforce composition of interviewed companies

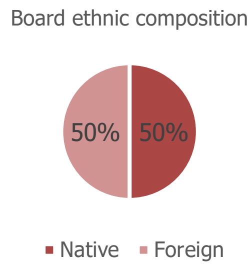
A: Public transport



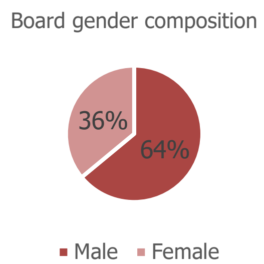


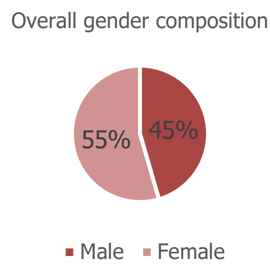
B: IT





C: Equipment and Manufacturing

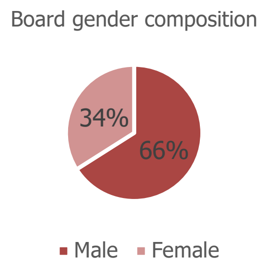


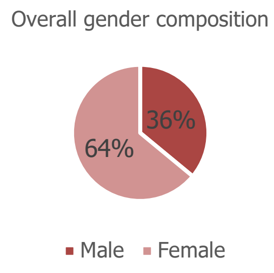


Overall ethnic composition

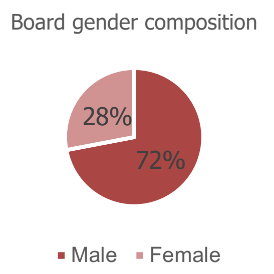
Country	Finland	USA	Indonesia	Thailand	Slovenia	Poland	UK	Australia	Japan	China	Others
Share	15,9%	12,2%	11,2%	9,8%	7,8%	6,6%	5,0%	4,9%	4,2%	3,2%	19,2%

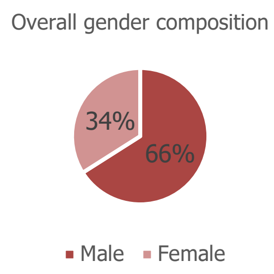
D: Clothing Retail[2]



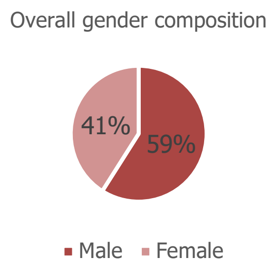


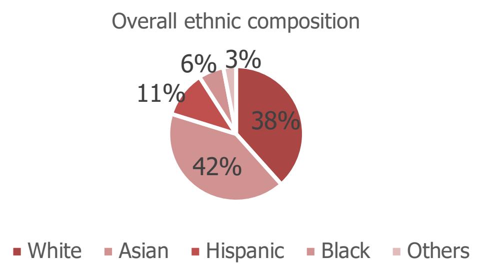
E: Enterprise software[2]





F: Financial Services





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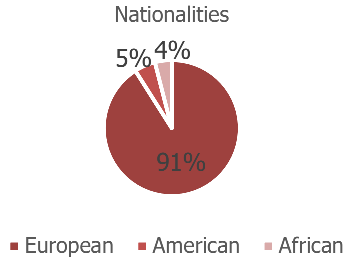
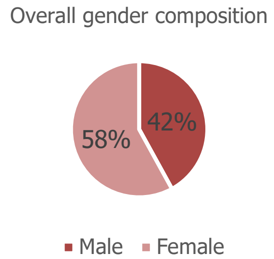
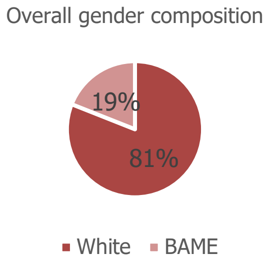
[2] No information on ethnic diversity

G: Consulting[3]



H: Law company





I: Delivery company

No information provided for legal reasons

[3] No information on gender diversity