Maximizing the Gains and Minimizing the Pains of Diversity: A Policy Perspective

Memo to the Council of Psychological Advisors

Adam D. Galinsky
*Columbia University*

Andrew R. Todd
*University of Iowa*

Astrid C. Homan
*University of Amsterdam*

Katherine W. Phillips
*Columbia University*

Evan P. Apfelbaum
*Massachusetts Institute of Technology*

Stacey J. Sasaki
*Columbia University*

Jennifer A. Richeson
*Northwestern University*

Jennifer B. Olayon
*New York, New York*

William W. Maddux
*INSEAD*

*(in press at *Perspectives on Psychological Science*)*
Author Note

Correspondence concerning this article should be addressed to Adam D. Galinsky, Management Department, Columbia Business School, Columbia University, 3022 Broadway, New York, NY, 10027-6902. E-mail: adamgalinsky@gsb.columbia.edu

We thank the following people for their invaluable insights: Modupe Akinola, Hannah Riley Bowles, Nancy Burnett, Ellen Galinsky, Michael Henry, Nate Saint-Victor, Anastasia Usova, and Anne Weisberg.

Abstract

Empirical evidence reveals that diversity – heterogeneity in race, culture, gender, etc. – has material benefits for organizations, communities, and nations. However, because diversity can also incite detrimental conflict and resentment, its benefits are not always realized. Drawing on research from multiple disciplines, this memo offers recommendations for how best to harness the benefits of diversity. First, we highlight how two forms of diversity – the diversity present in groups/communities/nations and the diversity acquired by individuals through their personal experiences (e.g., living abroad) – enable effective decision-making, innovation, and economic growth by promoting deeper information processing and complex thinking. Second, we identify methods to remove barriers that limit the amount of diversity and opportunity in organizations. Third, we describe practices, including inclusive multiculturalism and perspective-taking, that can help manage diversity without engendering resistance. Finally, we propose a number of policies that can maximize the gains and minimize the pains of diversity.
Diversity – heterogeneity in race, ethnicity, gender, cultural background, sexual orientation, and other attributes – is a key ingredient of flourishing societies. Promoting diversity is not just a moral issue, but also a practical one; empirical evidence reveals that diversity has numerous benefits for organizations, communities, and nations (Herring, 2009). Indeed, as a nation founded and sustained by immigrants, the success of the U.S. as a nation has been driven, in part, by its considerable levels of diversity.

Diversity increases creativity and innovation, promotes higher quality decisions, and enhances economic growth because it spurs deeper information processing and complex thinking. This complex thinking allows diverse groups to respond more effectively to dynamic contexts and unforeseen challenges (Page, 2008). Interacting with people from different backgrounds, however, can also be a source of discomfort, mistrust, resentment, and conflict (Montalvo & Reynal-Querol, 2005; Putnam, 2007). Consequently, the benefits of diversity are often not fully realized. Drawing on empirical evidence from multiple disciplines, this memo details how diversity can have material benefits for all members of a society when managed effectively (see Table 1).

**The Benefits of Diversity: Innovation, Higher Quality Decisions, and Economic Growth**

We highlight the benefits of two forms of diversity: the diversity present in groups/communities/nations and the diversity acquired through individuals’ personal experiences (e.g., living abroad, exposure to other subcultures).

**Benefits of Diversity in Groups/Communities/Nations**

Homogeneous groups run the risk of narrow-mindedness and groupthink (i.e., premature consensus) through misplaced comfort and overconfidence. Diverse groups, in contrast, are often more innovative and make better decisions, in both cooperative and competitive contexts. Even countries produce more national achievements after opening their borders to foreign influences.
through travel and immigration (Simonton, 1997). These innovation and decision-making benefits happen for two reasons. First, diverse groups have access to a greater variety of perspectives. Second, both majority and minority individuals in diverse groups consider more information and process that information more deeply and accurately (Apfelbaum et al., 2014; Crisp & Turner, 2011; Phillips & Loyd, 2006). For instance, experimental evidence shows that ethnically diverse juries consider more perspectives and make fewer inaccurate statements than homogeneous juries (Sommers, 2006). Additionally, people who anticipate joining ethnically or politically diverse groups process the information that will be discussed in the group more thoroughly (Loyd et al., 2013; Sommers et al., 2008) and produce more cognitively complex post-discussion summaries (Antonio et al., 2004). These findings suggest that decision-making groups benefit from diverse composition via enhanced information processing.

Social network analyses point to the economic benefits of diversity. Telephone calling patterns reveal that social network diversity (i.e., interacting with people from different geographic regions) is associated with greater economic prosperity of a community (Eagle et al., 2010). Similarly, correlational evidence indicates that U.S. cities that have a greater share of foreign-born inhabitants are more successful economically (Ottaviano & Peri, 2006). Even in competitive trading markets, diversity promotes careful, unbiased judgments that prevent price bubbles; market-level accuracy in pricing assets increases in ethnically diverse markets but decreases in homogeneous ones (Levine et al., 2014).

Notably, increased diversity often yields material benefits for both minority and majority group members. For instance, U.S.-born citizens living in U.S cities where the percentage of immigrants grew from 1970 to 1990 saw their own wages increase (Ottaviano & Peri, 2006). Additionally, since introducing the H1-B visa program, which allows U.S. employers to hire highly-
skilled foreign workers for specialty occupations, the number of H1-B workers in specific geographic areas predicts greater wage growth for *U.S.-born workers* in those areas (relative to the national average; Immigration Policy Center, 2014). Similarly, providing women with more economic and political opportunities in a country positively predicts the number of Olympic medals that country’s female *and* male athletes win (Berdahl et al., 2015).

Diversity is especially vital when policies and decisions affect a population that itself is diverse. For example, demographic diversity within the public sector workforce is related to policy outcomes that better integrate the interests of all of its citizens (Bradbury & Kellough, 2008). Similarly, a diverse judiciary produces a broader and more comprehensive understanding of fairness and justice (Smith, 1994). One implication of these findings is that legal systems likely produce higher quality decisions when the representatives of the law (i.e., police officers, judges, jurors, and lawyers) resemble those appearing before the court; similar implications follow for the representatives of educational systems (i.e., teachers), financial institutions (i.e., bankers; mortgage brokers), and governments (i.e., elected officials).

**Benefits of Diverse Personal Experiences**

Diversity is not only important among groups, communities, and nations; individuals also benefit from personal experiences with diversity. Diverse personal experiences, such as living or working abroad, are associated with greater creativity (Lee et al., 2012; Leung et al., 2008; Maddux & Galinsky, 2009). Creative directors of major fashion houses, visual artists, scientists, and managers who have worked abroad produce more creative fashion collections (Godart et al., 2015), more valuable artwork (Hellmanzizk, 2013), more highly cited scientific articles (Franzoni et al., 2014), and more entrepreneurial activity (Tadmor et al., 2012). Similarly, bicultural individuals (e.g., people with parents from two different countries) display more creativity (Benet-Martínez et
al., 2006), deeper information processing (Tadmor et al., 2012), greater perspective-taking (Gutierrez & Sameroff, 1990), and less interethnic tension (Buriel et al., 1998). Integrating experiences across multiple countries increases generalized trust (Cao et al., 2014), a key factor in economic growth and civic engagement (Uslaner & Brown, 2005; Zak & Knack, 2001). These effects occur, in part, because learning and integrating information about other cultures stimulates deeper information processing and complex thinking (Maddux et al., 2014; Tadmor et al., 2012).¹

Increasing Diversity and Opportunity by Promoting Transparency

Diversity helps individuals, groups, and nations produce better decisions, more innovation, and greater economic growth. The amount of diversity, however, is often limited by structural factors and psychological forces that produce bias—even when that bias is unintentional. Policies can be implemented to increase diversity by promoting equity of treatment in organizations.

The amount of diversity in organizations is affected by recruitment, selection, and promotion procedures. The first stage, recruitment, is critical because underrepresented individuals often forgo opportunities with organizations they deem unwelcoming. For example, the language used in recruiting documents affects application rates: Masculine language in job advertisements (e.g., dominant, competitive) lowers the appeal of these jobs for women, not because women feel they lack the skills but because they feel they don’t belong (Gaucher et al., 2011). At the selection stage, it is vital that unbiased hiring criteria are established in advance to prevent those criteria from being used selectively to benefit some groups over others (Uhlmann & Cohen, 2005). Finally, bias can creep in again at the promotion and compensation stage; establishing criteria in advance is critical here, too. Procedures that create accountability reduce the pay gap for women, ethnic

¹ Non-Whites are severely underrepresented in study abroad programs and foreign-service assignments and thus frequently miss out on these experiences (PBS, 2014; DePilis, 2013; Tensley, 2015). It is important that all U.S. citizens have opportunities to acquire these diverse experiences.
minorities, and non-U.S.-born employees (Castilla, 2015). Similarly, monitoring and formal mentoring programs increase the promotion rates of Black and White women (Kalev et al., 2006).

The foundational principle that cuts across these mechanisms for decreasing bias is transparency. Monitoring and public reporting of hiring practices and salary rates creates accountability and decreases bias. Regular reviews of hiring, mentoring, and promotion criteria help ensure that they are fair and equitable, as even seemingly unbiased selection criteria can produce disparate outcomes (Apfelbaum et al., 2010; Ricci v. DeStefano, 2009). For example, a study of service and manufacturing organizations in Ireland found that transparency procedures designed to monitor the recruitment, pay, and promotion of minority groups was positively associated with higher labor productivity, greater workforce innovation, and lower voluntary employee turnover (Armstrong et al., 2010).

Government initiatives have also found that greater transparency can increase diversity levels. In 2011, for example, President Obama established a coordinated government-wide initiative to promote diversity and inclusion in the federal workforce with Executive Order 13583; this initiative pledged to add 100,000 employees with diverse abilities/disabilities, and it created the Recruitment, Engagement, Diversity, and Inclusion Roadmap to monitor diversity-related progress (Archuleta, 2015a; NSF, 2011). Four years after its implementation, the President’s Management Agenda reported a 10% increase of women in the Senior Executive Service of the government (Archuleta, 2015b). Similarly, in 2010, the Australian Securities Exchange (ASX) mandated that all ASX-listed companies follow a set of recommendations designed to increase transparency and accountability in the recruitment of board directors (e.g., publicly report processes for nominating and selecting board members); the percentage of female directors increased from 8.3% in 2008 to
18.3% in 2014. Transparency can be used at multiple levels to root out bias and discrimination and to increase diversity, fairness, and equity.

**Managing Diversity Effectively**

Although diversity has decision-making and economic benefits, without effective management, diverse groups/communities/nations run the risk of descending into detrimental conflict, which can derail economic growth (Alesina & La Ferrara, 2005). The key is to find ways to maximize the gains and minimize the pains of diversity—to harness innovation and economic growth without producing counterproductive forms of conflict.

The specific framing of diversity policies is a significant factor in determining whether they are met with acceptance or resistance. With respect to race and ethnicity, emphasizing the benefits of multiculturalism, which entails valuing intergroup differences, can help groups and nations manage diversity more effectively. Experimental evidence indicates that individuals who read statements endorsing a multicultural approach to diversity are more accurate in their perceptions of other groups (Wolsko et al., 2000), display less racial bias (Richeson & Nussbaum, 2004), and engage in smoother interracial interactions (Vorauer et al., 2009), compared with individuals who read statements endorsing a colorblind approach where differences are explicitly ignored.

Multiculturalism also encourages underrepresented individuals to seize opportunities. By communicating acceptance of minority groups (Verkuyten, 2005), multiculturalism helps underrepresented group members display greater engagement at work (Plaut et al., 2009) and achieve higher academic outcomes (Walton & Cohen, 2011).

Multiculturalism, however, can be difficult to implement and can also breed resistance from

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2 In 2014, President Obama signed two additional executive orders (13665, 11246 amended) designed to increase pay transparency among federal contractors, who comprise nearly one-quarter of the U.S. workforce. In 2015, The Federal Housing Finance Agency required that the Federal Home Loan Banks and the Office of Finance include demographic information on their boards of directors and outreach activities in their annual report.
majority groups (Plaut et al., 2011), which may explain why analyses from 708 private-sector organizations found that the introduction of diversity training programs was associated with a decrease in the number of Black women in management (Kalev et al., 2006). One key to minimizing such resistance and increasing support for organizational diversity efforts among majority group members is to ensure that multiculturalism is framed inclusively, highlighting the benefits for both minority and majority group members (Jansen et al., 2015; Stevens et al., 2008). Mentoring programs are also particularly effective when they are inclusive of all employees, benefitting minority groups without creating perceived exclusion of majority groups.

Related to multiculturalism and its recognition of differences, perspective-taking—imagining the world from another’s vantage point—can also help with effectively managing diversity. Perspective-taking by majority group members decreases stereotyping (Galinsky & Moskowitz, 2000), reduces racial bias (Todd & Burgmer, 2013), increases recognition of racial discrimination (Todd et al., 2012), and promotes smoother interracial interactions (Todd et al., 2011). Perspective-taking also allows people to anticipate and integrate others’ interests and priorities with their own to produce higher quality and mutually beneficial decisions (Galinsky et al., 2008, 2014).

Inclusive multiculturalism and perspective-taking help catalyze the innovation and decision-making benefits of diversity. For example, organizational climates that value diversity increase information processing and exchange, which then produce better decisions (Homan et al., 2007). Similarly, when team members consider one another’s perspectives, diverse teams are more creative (Hoever et al., 2012). The practices of inclusive multiculturalism and perspective-taking help ensure that diversity has decision-making benefits.

For communities and societies, inclusive multiculturalism and perspective-taking can also
enable constructive cross-cultural contact, which itself often, though not always, reduces prejudice and conflict (Pettigrew & Tropp, 2006). Importantly, communities in which neighbors trust and help one another have lower levels of conflict and violence, especially in neighborhoods with greater diversity (e.g., a high concentration of immigrants; Sampson et al., 1997).

**Policy Implications**

Empirical evidence demonstrates that diversity creates and sustains economic growth, improves decision-making, and produces new innovations. Policies are therefore needed to promote the diversity present in groups/communities/nations while ensuring that these policies don’t produce resistance, mistrust, and detrimental conflict. Our policy recommendations appear in Table 1.

The U.S. government can have a tremendous impact because it is the largest employer in the world (Alexander, 2012). The policies it sets for its own employees directly affect millions of people and establish a model for other institutions to follow. Both federal and state governments can also influence organizational practices in private companies when those companies seek contracts with government agencies or when state/city governments offer incentives to recruit new businesses. Of course, legislation will only be effective insofar as it offers incentives and regulatory resources as part of a comprehensive, systematic approach to increasing and managing diversity.

The U.S. is both an economic leader and one of the most diverse countries in the world. We hope that these policies will push the U.S. further down these two interconnected paths, with greater economic growth and civic engagement for all.
References


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Table 1: Diversity-Related Problems, Proposed Solutions, and Policy Recommendations

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<tr>
<th>Problem</th>
<th>Proposed Solution</th>
<th>Example Policy Recommendation</th>
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<td>Group homogeneity breeds narrow-mindedness, groupthink (i.e., premature consensus)</td>
<td>Increase diversity in groups/communities/nations to spur deeper information processing and complex thinking</td>
<td>Executive orders and taxation policies that incentivize organizations to diversify their employee and supplier base</td>
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<td>Immigration policies that promote diversity in skills, knowledge, and experiences, such as increasing the number of H-1B visas for skilled workers</td>
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<td>Immigration policies that simplify the application processes for (temporary) non-immigrant worker visas</td>
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<td>Mortgage and housing policies that promote the creation of diverse neighborhoods, such as the Moving to Opportunity Program</td>
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<td>Education policies that promote diverse undergraduate and graduate student representation, such as providing scholarships to underprivileged groups</td>
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<td>Lack of experience and contact with other cultures can impair creativity, decision-making, and trust</td>
<td>Increase opportunities for cross-cultural contact and experiences abroad</td>
<td>Taxation policies that incentivize expatriation by eliminating taxes on citizens working abroad (the U.S. is the only industrialized country to tax its citizens while abroad); policies can also incentivize foreign-service employees to bring their diverse experiences back to the U.S.</td>
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<td>Education policies that increase federal fellowships for study or internships abroad; these policies need to ensure that underrepresented groups also get access to these opportunities</td>
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<td>Biased recruitment, selection, and promotion procedures prevent a diverse workforce</td>
<td>Reduce explicit and implicit bias and increase opportunities through accountability and transparent procedures and reporting</td>
<td>Recruitment policies that promote the accurate description of qualifications but eliminate language that can dissuade members of underrepresented groups from applying</td>
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<td>Selection and promotion policies that commit to unbiased evaluation criteria in advance; regular review of those criteria to reduce disparate outcomes</td>
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<td>Monitoring policies that report hiring/promotion rates and increase transparency and accountability</td>
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<td>Ensuring that selection/promotion committees are themselves diverse</td>
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<td>Diversity can increase resistance, mistrust, and conflict</td>
<td>Promote inclusive multiculturalism and perspective-taking to make effective use of diversity</td>
<td>Education policies that promote inclusive multiculturalism and encourage perspective-taking, both in education (primary, secondary, university) and in training foreign-service employees</td>
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<td>Policies that ensure that mentorship programs are inclusive by stressing the need to support both minority and majority groups</td>
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