Author: Sharmistha Chatterjee

Title of the Paper: How diversity brings improvement in decision making and customer satisfaction

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Abstract:

Today's organizations are implementing policies and programs to capitalize on abilities, skills and ideas that a diverse workforce bring in. Diversity management practices in organizations ensure that effort is made during selection process to recruit employees from diverse background and managers are trained to leverage the differences while being sensitive towards the needs and differences of the team members.

But why are diversity management practices becoming more and more popular? Is it only to ensure equal employment opportunity and encourage fair treatment? Does the management see benefits of having a diverse workforce at all levels?

Research shows that diversity at board level impacts corporate performance in a positive way. Diverse project teams are likely to focus on prioritizing customer satisfaction as well as improved communication to stakeholders. Diversity also increases decision quality as differences in viewpoints, ideas, market insights and attitudes towards risk enable better problem solving abilities as a group. A diverse project team looks at the customer pain points from different perspectives thereby ensuring a solution that custom fits the need of the diverse customer base.

The objective of this paper is to analyze how diversity in organizations brings in differences in the decision making process and improves customer satisfaction.

Intent

The Intent of this paper is to analyze if and how workplace diversity influences decision making process in an organization. It also talks about the impact that diversity has on customer service and customer satisfaction. A case study of a diverse group's involvement in product development is also presented at the end. The case study describes the challenges faced in the diverse group and how that have been managed by implementing diversity management practices. As an outcome, the business unit derived the benefits of diversity in innovation and research, and improved the revenue and profitability.

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1. Introduction

With the advancement of technology and communication, the world is shrinking and the businesses are expanding beyond the boundaries of the countries. As organizations are becoming global, the workforce is becoming diverse consisting of people from different culture, ethnicity and age-group. A diverse workforce comes with diverse ideas, perspectives and challenges and the diversity management practices are becoming essential to overcome the challenges that come with a diverse workforce, while capitalizing on different abilities, skills and ideas that they bring in.

But the benefit is not limited to innovation and creativity only. Research proves that companies with greater diversity outperform their peers. McKinsey's research [5] shows that the gender-diverse companies are 15% more likely to outperform their peers and ethnically-diverse companies are 35% more likely to do the same. Deloitte Australia research [11] found that the inclusive teams outperform their peers by 80% in team-based assessments. According to Credit Suisse research [2], companies with at least some female board representation outperformed those with no women on the board in terms of share price performance during 2005-2011. The net income growth of companies with at least one woman on the board is 4% higher than that of companies with no female board representation. Catalyst's 2011 study [3] found that companies with the most women board directors outperformed those with the least on return on sales (ROS) by 16 percent and return on invested capital (ROIC) by 26 percent. In India, companies headed by women grew by a compounded annual growth rate of almost 35 per cent compared with 21 per cent registered by the BSE-30 [4].

In a diverse environment, the expectation of differing perspectives, opinions and viewpoints, triggers the questioning of every decision, and hence more careful information processing. This outlook of a diverse group views multiple angles of a problem and provides a more complete solution. Due to globalization, the consumer base is more diversified, and requires a more diverse producer workforce to accommodate and adhere to its now more varied needs. This in turn signifies better corporate performance, and a better symbiosis between them and their customers. This paper outlines and analyses the impact of diversity on decision making and positive customer experience.

2. What signifies diversity

Diversity encompasses age, race, gender, ethnicity, disability status, personality, values, cognitive style, tenure, organizational function, education, background and more. This is broadly categorized into two types. Biographical characteristics such as age, race, gender, ethnicity, disability status, tenure in the organization, that do not necessarily reflect the way people think or feel, represent surface-level diversity. On the other hand, differences in personality, values, cognitive style, background, work preferences represent deep-level diversity. While surface-level diversity can lead to perceptions through stereotypes and assumptions, it is the deep-level diversity that becomes more important in determining similarities and dissimilarities when people start working with each other.

3. How diverse is the current workforce in India and globally

In India, the information technology-business process management (IT-BPM) industry is the front runner in implementing diversity management practices. According to a 2016 study [13], the IT-BPM industry in India currently employs around 3.7 million people including about 1,70,000 foreign nationals from over 100 countries and generates indirect employment for more than 10 million employees. The average age of the workforce within the industry is 27 years. So a majority of the workforce comes from millennial generation – those born between the early 1980s and the mid-1990s. About 50% of its employees come from Tier I locations in India. Approximately 50% of the workforce are non-engineering graduates while the remaining 50% includes engineering graduates (32%) and postgraduates (13%). Only 1% of the workforce consists of people with disabilities. 34% of the IT-BPM workforce are women out of which only 10% are in senior management roles and 1% in the C-suite.

On the other hand, the high-tech sector in United States employed about 3.9 million professionals out of which 68.5% are whites and the remaining 31.5% includes Asian Americans, African Americans and Hispanics. 64% of the high-tech workforce are men. In the executive category about 80% are men and only 20% are women. People with disabilities are underrepresented in the tech workforce. The average age as well as the median age of workforce in the high-tech sector is 41 years [10,11].

4. How diversity improves decision making

While diversity comes with opportunities and benefits for organizations, and the organizations are implementing effective diversity management practices, the initial motivation came from eliminating unfair discrimination, correcting historic injustices and getting the benefit of tapping a larger pool of skilled resources while utilizing the different and complementary skillset they could potentially bring in. Less often we hear the organizations going for diverse workforce to get the benefit of better decision making.

Does diversity change the way we make group decisions?

Research in the recent times finds that diverse group members can do more than simply bring new viewpoints or perspectives [9]. Study conducted with homogeneous and diverse groups concluded that diverse groups outperformed not because of an influx of new ideas, but because diversity triggered more careful information processing that is absent in homogeneous groups. The presence of diverse group members who are different in age, ethnicity, social background and tenure in the group creates awkwardness, and the need to diffuse this tension leads to better group problem solving. Interestingly, diverse groups are found to be less confident in their decision making whereas the homogeneous groups are more confident about their decisions and the solutions.

The impact of diversity on group functioning is multifaceted. A diverse group:

- Brings in new ideas, information, opinions and perspectives
- Brings in different experiences and changes in behavior
- Has different market insight
- Has different attitude towards risk
- Processes information carefully
- Prepares better before group interaction anticipating alternative viewpoints
- Expects more effort in reaching consensus
- Outperforms homogeneous groups in decision making and problem solving
- Generates innovative ideas and solutions
- Enhances creativity
- Changes the way an individual will think
- Reports less confidence in the performance of the group
- Perceives the group interaction as less effective

What brings the change in group behavior when the group composition is not homogenous?

Members of a homogeneous group make an assumption that they will easily come to a consensus as they will understand each other's perspectives and opinions. Due to this assumption, the members are less prepared with alternative opinions when they interact in group environment. There is a kind of casualness in group interaction in homogeneous groups and they tend to be over-confident with the quality of their decision and correctness of the solution. But when members of a group are aware of the differences in the team members, they change their expectations. As they anticipate different opinions, viewpoints and perspectives, they examine more alternatives and prepare with more information to defend an opinion. The variety of ideas that come up in diverse groups is one source of outperformance, and the other one is more careful information processing that happens in more diverse groups. In other words, the members of diverse groups work harder to arrive at a consensus as the chances of conflicts in diverse group is greater which often makes it difficult to reach a decision. Though it creates more discomfort, tension and stress in the group, the hard work leads to better outcomes.

Does gender diversity at the top influence corporate decisions?

Several research identifies the key reasons why greater gender diversity could be correlated with changes in decision making. A greater number of women on the board is found to improve performance on corporate and social governance metrics by focusing on clear communication to employees, prioritizing customer satisfaction, and considering diversity and corporate social responsibility. Differences in market insight and attitude towards risk help a gender diverse board to improve quality of the decision. Data analyses of the impact of different team compositions on decision quality revealed significant differences across various gender ratios. With increase in number of males in the team, the decision quality increased. However lone female teams outperformed all-male teams [1].

5. How diversity improves customer experience

With advancement in technology and communication and ease of travel, businesses are expanding beyond the boundaries of the countries or regions where they started operating and reaching out to a diverse customer base from different parts of the world. Business is not limited to physical proximity of the customer base. A customer located in United States can get the service from a customer service representative located in India. On the other hand, a virtual customer can buy products or services online from a business operating from a country on the other side of the world. As the potential customer community is becoming

more and more diverse, it is posing new challenges to organizations in attracting and retaining diverse group of customers.

Cultural diversity defines the values, beliefs and preferences that influence the behaviour of the customer. Trompenaars' model of national culture differences talks about 7 cultural dimensions that is applicable for general business and management [8]:

- Universalism vs. Particularism
- Individualism vs. Communitarianism
- Neutral vs. Emotional
- Specific vs. Diffuse
- Achievement vs. Ascription
- Sequential vs. Synchronic
- Internal vs. External control

Professor Geert Hofstede's model of national culture consists of 6 dimensions:

- Power Distance Index
- Individualism vs. Collectivism
- Masculinity vs. Femininity
- Uncertainty Avoidance Index
- Long Term Orientation vs Short Term Orientation
- Indulgence vs. Restraint

The cultural dimensions not only influence the consumer behavior, it also influences the communication and the expectations. The pattern of communication and the relationship management expectations greatly vary with diversity.

How diversity awareness creates positive customer experience?

In order to provide a great customer experience, it is absolutely important to understand the differences in needs, expectations and preferences that a diverse customer group may have. Today's customers have a plethora of alternatives to choose from. So, providing the same standard products and services to all customers, irrespective of their needs and expectations, is not enough to attract and retain the customer. When the organization creates a positive customer experience by addressing diverse needs and expectations and customizing the services and communications to meet those needs, it creates a difference that helps the business be ahead of its competitions.

Customer satisfaction is not only ensured through customized services, building a great relationship is equally important to grow a loyal customer base. Customer relationship is built through the interaction that includes verbal and non-verbal communication. A communication can be effective only when it is easily understood, mirrors the patterns of communication followed by the customer and uses terminologies, phrases that are familiar and less likely to misunderstand.

How diverse workforce impacts customer satisfaction?

When potential customers evaluate the products and services from different service providers, they look for people who talk the same language and share the same culture, values and beliefs. Here are the ways a diverse workforce can make a difference in creating a positive customer experience:

1. A diverse workforce understands the different needs and expectations of a diverse customer base
2. A diverse workforce can help in customizing the products and services to better suit the needs of the customer; it may also mean adding new products in the portfolio to cater to a different market
3. A diverse workforce speaks the same language and reflects the diverse culture, thereby creating a welcoming environment for the customers
4. A diverse workforce can facilitate attracting new customers from different culture, ethnicity, gender through their network
5. A diverse workforce minimizes the need for cross-cultural training – they understand the customers' culture, values and preferences
6. Diversity management practices in an organization improves employee morale and content employee takes good care of customer by providing high-quality service and creating positive customer experience

How diversity impacts the corporate performance

While it is difficult to draw a correlation between customer satisfaction due to diversity and financial performance of an organization, new research suggests correlation between diversity and financial performance:

- According to a 2015 McKinsey report [5], ethnically diverse companies are 35 percent more likely to have financial returns above their respective national industry medians. Companies in the top quartile for gender diversity are 15 percent more likely to outperform companies in the bottom quartile.
- In India, the 2009 study [4] shows companies headed by women grew by a compounded annual growth rate of almost 35 per cent compared with 21 per cent registered by the BSE-30. Their profits

grew by 56 per cent in the last five years, and by 64 per cent, in the last three years. The BSE-30 companies posted a growth rate of 27 per cent and 23 per cent, respectively, during the same period.

- According to Credit Suisse research report published in 2012 [2], the female board representation has shown a 16% growth India between 2005 and 2011 and companies with at least some female board representation outperformed those with no women on the board in terms of share price performance. The net income growth of companies with at least one woman on the board is 4% higher than that of companies with no female board representation.

6. A case study of workplace diversity in IT industry

A multinational IT company with presence in India acquired a company based in West Asia and operating in EMEA region. Before acquisition, the parent company had a very little presence in EMEA and the workforce was mostly from United States and India. The acquisition brought in diversity in the workforce as well as in the customer base. With that came the challenges which started surfacing during the integration. However conscious practices of diversity management not only improved the employee morale and customer satisfaction, it increased the revenue of the business unit.

Key challenges:

- Communication: English was not the primary language of business for the acquired company and the employees used native language for all verbal and non-verbal official communication. While the new team members were learning to communicate in English for official matters, they had to learn and understand the pattern of communication and emotions along with terminologies (technical or otherwise) that are commonly used in the organization. The perceptual, cultural and language differences initially resulted in confusion and misunderstanding.
- Work Culture: The work culture of the acquired company was significantly different from the parent company. The work week (Sun – Thu) was also different. There are partial work days at a stretch as per country's regulations during some part of the year. Also, availability for work was regulated by priorities in general. Work planning had to take into account the differences in work hours, resource availability and priorities of the people.
- Decision Making: While the parent organization had a decision making hierarchy in place, the new team members were used to questioning every decision till they were satisfied with the correctness and quality of the decision. So initially it took very long to arrive at a consensus for every small decision to be made.

- Resistance to Change: As the social and cultural makeup of the workplace had changed after acquisition, there were a part of the workforce who found it difficult to adapt and they resisted the changes that were obvious. It impacted the employee morale.

Actions taken to overcome the challenges

- Appointed a diverse leadership team to work on the challenges
- Understood the cross-cultural differences and create diversity awareness
- Promoted inclusive culture by involving diverse team members in decision making
- Followed open and transparent communication policy
- Customized work hours to maximize interaction
- Customized policies and procedures to best suit the need of the diverse workforce

Critical success factor

- Leadership commitment was key success factor in this case and improved decision making ability by the diverse leadership team helped in overcoming the challenges while utilizing the strength of the diverse workforce
- Customer support teams were carefully chosen for every region to understand the customer expectations better and create a welcoming and comfortable environment for the customer – this increased the success ratio

Quantifiable benefits observed

- On the business side, there have been significant growth in the revenue and profitability through new product development for diverse market, acquisition of new customers in the EMEA region as well Asia Pacific region.
- Internally there have been significant improvement in employee morale, communication, decision quality, product and service quality and attrition.is reduced

Lessons learnt

- Effective diversity management practices was instrumental in deriving the best results from a diverse workforce by utilizing the strengths and minimizing conflicts due to diversity

7. Conclusion

While the research provides enough evidence on how diversity expands the potential of any decision-making processes, thereby accommodating greater customer needs and building a more personalised relationship between the customer and the corporate, the businesses are still taking small steps towards making diversity a priority. Diversity management practices are being implemented more from compliance perspective than to leverage the benefits that come with a diverse workforce. While conscious decisions are taken to recruit diverse workforce at the entry level, more work is needed to ensure that the diversity ratio is maintained at all levels and the businesses take full advantages of a diverse leadership team to improve the corporate performance. A strong commitment from management, effective policies and procedures towards diversity management and awareness programs at all levels can bring the transformation.

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