

Study finds diversity boosts innovation in US companies

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A recent study finds that taking steps to foster diversity makes a company more innovative, in terms of product innovations, patents created and citations on patents - meaning the relevant innovations are also used to develop new technologies.

"We wanted to know whether companies with policies encouraging the promotion and retention of a diverse workforce - in terms of gender,

race and sexual orientation - also perform better at developing innovative products and services," says Richard Warr, co-author of a paper on the study and head of the Department of Business Management in NC State's Poole College of Management. "The short answer is that they do.

"To be clear, we found that there is a causative link - it's not just a correlation," Warr says. "And the finding extends across a broad range of industry sectors."

To address their question, the researchers evaluated information from the so-called "MSCI ESG STATS" dataset, which provides [diversity](#) policy data on the 3,000 largest publicly traded companies in the United States. The researchers then collected patent and patent-citation data from the U.S. [patent](#) office. Lastly, they collected new product announcement data from the Capital IQ Key Development database, spanning the years 2001-2014.

"Basically, once you get through all the statistical jargon, we found that a [company](#) that checks all of the diversity boxes would see about two new additional product announcements over 10 years," Warr says. "Given that most firms produce an average of two new product announcement per year, that's significant. On the other hand, it shows that improving diversity policies won't lead to overnight improvements in innovation. It may take time to reap the benefits.

"The take-home message here is that a business which relies on [innovation](#) will benefit significantly from supporting diversity within its organization," Warr says. "It's really that simple."

More information: Roger C. Mayer et al, Do Pro-Diversity Policies Improve Corporate Innovation?, *Financial Management* (2017). [DOI: 10.1111/fima.12205](https://doi.org/10.1111/fima.12205)

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