Diversity messages may backfire when companies focus on diversity's benefits for the bottom line

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Companies that justify their diversity efforts by saying that a diverse workforce will improve their bottom line risk alienating the diverse employees that they hope to attract, according to research published by the American Psychological Association.

That's because such "business case" justifications for diversity can backfire, by making members of underrepresented groups—such as LGBTQ professionals, women in STEM (science, technology, engineering and math) fields and Black students—feel that they will be judged based on their social identity if they join the company.

"These business-case justifications are extremely popular," said lead author Oriane Georgeac, Ph.D., a professor at the Yale School of Management. "But our findings suggest that they do more harm than good."

The research was published in APA's *Journal of Personality and Social Psychology*.

Many companies offer either a "business case" explanation for why they value diversity (e.g., "we value diversity because it will help us better serve our customers and improve our bottom line"), or a "fairness case" explanation (e.g., "we value diversity because it's the right thing to do"). Georgeac and co-author Aneeta Rattan, Ph.D., a professor at London Business School, sought to explore how common these two justifications are and how they affect potential employees' impressions of what it would be like to work at a given company.

First, the researchers gathered the online diversity statements of every company on the Fortune 500 list and used artificial-intelligence-based language analysis to analyze whether each statement presented primarily a business case or a fairness case for diversity. Overall, they found that about 80% of the companies offered a business-case justification for valuing diversity, while less than 5% offered a fairness-case explanation; the rest made no public diversity statements or did not offer any justification.

Next, the researchers conducted five online experiments in which they asked job seekers from three underrepresented social identities—LGBTQ professionals, female STEM-job seekers and Black students—to read business-case or fairness-case diversity statements from fictional companies and to answer questions about how much belonging they anticipated feeling there, and how much they would want to work there.

On average, the researchers found that among the LGBTQ professionals, female STEM-job seekers and Black students, reading business-case diversity statements undermined participants' anticipated sense of belonging to the company, and in turn, their desire to join the company, compared with reading fairness-based diversity statements or diversity statements that provided no explanation.

Further analyses found that one explanation for why the business-case justifications affected these participants was that it increased participants' "social identity threat," or their concern that the company would see and judge them, as well as their work, in light of their social identity.

"On the surface, this rhetoric may sound positive," Georgeac said. "However, we argue that by uniquely tying specific social identities to specific workplace contributions, business-case justifications for

diversity justify the fact that organizations may attend to individuals' social identities when forming expectations about, and evaluating, their work. In other words, business-case justifications confirm to women and underrepresented group members that they must worry about their social identities being a lens through which their contributions will be judged. And this is threatening to these groups."

Some surprising findings call for further study, according to the researchers. For example, they found that fairness-case justifications for diversity may also induce some social identity threat among members of underrepresented groups—though only about half as much as business-case justifications do. "We have more research to do here, but the possibility that no justification is the best justification for diversity is incredibly interesting," Rattan says.

Some of the experiments in the study also compared the responses of members of underrepresented groups to those of well-represented groups. The researchers found that the business case may sometimes also threaten members of some well-represented groups. "Men in STEM showed no differences in their responses to the different types of diversity justifications they read, but white Americans after the murder of George Floyd did appear to be threatened by the business case, relative to the fairness case or no case. This seeming discrepancy across well-represented groups is fascinating and calls for further investigation," Georgeac said.

Future research could also explore how diversity justifications affect members of other underrepresented groups, such as older workers; how well companies' public diversity statements reflect their actual internal motivations for diversity; and how diversity values affect the behavior of members of the organization, such as managers and executives, according to the researchers.