Mosaic Versus Melting Pot:

Reassessing the relationship between diversity and corporate culture

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On behalf of Invesco, the authors would like to dedicate this white paper to the memory of Professor Sucheta Nadkarni, of Cambridge Judge Business School (CJBS), who passed away in October 2019 after a short illness.

As well as earning global recognition for her research in the fields of strategic leadership and competitive dynamics, Professor Nadkarni undertook pioneering work on diversity. This included acclaimed studies of women's representation on corporate boards and in senior executive positions. She became Director of CJBS's Wo+Men's Leadership Centre in 2017 and also established the Executive Education Rising Women Leaders programme, which focused on supporting women to aspire and achieve in their professional lives.

Professor Nadkarni collaborated with Invesco on several projects. We will remember her as a devoted scholar, a charismatic trailblazer and – in the words of her academic colleagues – "a force of nature".

Also in Invesco's series of white papers on diversity:
- Broad Diversity as a Driver of Meritocracy
- Diversity of Thought and the Search for Best Ideas

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1. Executive summary

- Diversity in the workplace and corporate culture are two issues that have risen up business agendas in recent decades.
- The links between these key dynamics are frequently misunderstood and even ignored, as is the related role of globalisation.
- The most forward-thinking organisations are now recognising that all three considerations (diversity, corporate culture and globalisation) should feed into a shared goal: inclusion.
- The so-called "melting pot" model does not lend itself to this approach, as it sacrifices individual characteristics in the pursuit of assimilation.
- A "mosaic" approach is better suited to ensuring genuine inclusion, because it pieces together individual characteristics to produce a whole.

2. Introduction

In previous white papers we discussed the changing nature of diversity and its role in organisational settings[1]. We explored how diversity in the workplace has come to be seen not only as a force for social justice but as a source of competitive advantage; how recognition of the differences between groups or demographics is giving way to recognition of individual qualities, experiences and opinions; and how a resultant focus on "diversity of thought" can underpin decision-making and problem-solving processes that use open-mindedness, engagement and critical scrutiny to generate best ideas.

We now dig even deeper into these matters by examining diversity's relationship with another phenomenon that has gained substantial momentum in recent decades: corporate culture. We suggest that the dynamics between the two are widely misunderstood and that a third factor, globalisation, can bring further complication.

The potential tensions between a commitment to diversity and a desire for a unifying corporate ethos raise important and often difficult questions. For example, how does the quest to integrate multiple perspectives square with the sharing of values? When does a reasonable desire to identify common ground surrender to an all-consuming push for conformity? Should a corporate worldview reflect other outlooks or must it inevitably take precedence over each and every one of them?

We believe that the answers lie in appreciating the distinction between a mosaic and a melting pot. A mosaic takes individual characteristics and pieces them together to produce a whole that is genuinely the sum of its parts. A melting pot ultimately reduces everything placed within it, sacrificing individual characteristics in the pursuit of total assimilation. Although the latter has long been synonymous with diversity, we argue that the former better serves a forward-thinking organisation in a world that, while globalised, remains blessed with multiplicity and miscellany.

We begin our analysis by offering snapshots of diversity, corporate culture and globalisation, pointing out that heterogeneity – even in the face of unparalleled interconnectedness and the so-called "death of distance" – still abounds. We then investigate how companies respond to this situation – that is, whether they seek to erode heterogeneity or whether they strive to embrace it – and what motivates their choices. Finally, we make the case for an overarching philosophy of inclusion, as embodied by the "mosaic" approach.

Which path to take?

The competing notions at the heart of this paper, the mosaic and the melting pot, can each be associated with numerous terms and ideas. It may be helpful at this early stage to list some of these and, in doing so, make clear that companies face a choice between two very different paths.

As the simple schematic below shows, we consider three basic dynamics that can enter either a mosaic or a melting pot. These are diversity, corporate culture and globalisation.

If these dynamics are used to construct a mosaic, as in the left branch below, the path should be a positive one. Integration, inclusion, heterogeneity and satisfied employees – homo faber – should lead to outcomes such as diversity of thought, best ideas and competitive advantage.

If the same dynamics are consumed in a melting pot, as in the right branch below, the path is likely to be more negative. Assimilation, conformity, homogeneity and employees who see no merit in work beyond an ability to make money – homo economicus – may lead to outcomes such as groupthink, poor decisions and inertia.

Mosaic versus melting pot

| Diversity |
| Corporate culture |
| Globalisation |

Mosaic	Melting pot
Integration	Assimilation
Inclusion	Conformity
Heterogeneity	Homogeneity
Homo faber	Homo economicus
Diversity of thought	Groupthink
Best ideas	Poor decisions
Competitive advantage	Inertiia
Positive impact	Negative impact

Source: Invesco.

3. Dynamics

3.1. Diversity in the workplace

As we observed in the first paper in this series, diversity in the workplace has its roots in social justice. Barriers around issues such as gender, race, religion and privilege have gradually fallen in light of a centuries-long process of landmark shifts in policy, practice and thinking. Over time, as ever-greater importance has been attached to equality of opportunity, the conviction that diversity is right has given way to a realisation that diversity also brings many benefits.

A sizeable literature supports this belief. The most compelling studies range from the formative work of trailblazing academics such as Meredith Belbin, who pioneered the notion of diversity as a means of competitive advantage[2], to the latest outputs from multinational consultants such as McKinsey & Company, which in 2018 produced a report highlighting how "the inclusion of highly diverse individuals... can be a key differentiator among companies"[3].

Why should diversity improve an organisation's performance? As we remarked in the second paper in this series, it boils down to allowing and encouraging individuals to be who they really are. Simply put: multiple perspectives lead to diversity of thought, which in turn should lead to superior decisions. Our own industry has learned a harsh lesson in this regard, with many of the failings that were laid bare by the global financial crisis subsequently blamed on homogeneity and "groupthink" among senior executives[4].

We have argued that diversity of thought is analogous to a "best ideas" fund. Both should commence with a range of options drawn from many sources; both should seek to distil this original array into a much smaller selection that consists only of the most promising prospects; and both should achieve the transition through an inclusive, meritocratic process that is grounded in rigour and rationality. By contrast, the decision-making approaches of organisations that refuse to acknowledge the value of diversity of thought are likely to be characterised by hubris, inertia, conformity and an unhealthy tolerance of design by committee.

The task of ensuring diversity within organisations usually falls to human resources (HR) departments. This makes sense in many ways, but it is also part of a broader problem: as we explain later, there is a tendency to treat diversity and corporate culture as distinct from each other rather than as two sides of the same coin.

No blank canvases

Where in the world is diversity most in evidence? Although many multinational companies might nominate themselves, one of the most widely cited studies from academia concludes that the answer is Papua New Guinea.

In the early 2000s political scientist James Fearon, of Stanford University, analysed nation-specific diversity by measuring ethnic, cultural, linguistic and religious fractionalisation. Papua New Guinea topped the list by virtue of being home to thousands of different groups, many with their own languages and customs – so many, indeed, that Fearon's metrics could not cope.

The pecking order would very likely have been different if other factors had been taken into account. If sexual orientation, mental ability, physical ability, age and socioeconomic status had been considered then the US, say, might not have come 85th out of 159, sandwiched between Guatemala and the former Soviet republic of Georgia.

Nonetheless, Fearon's findings still make one thing clear today: the world remains astonishingly diverse. Corporate culture and globalisation alike should respect this fact, not ignore it.

"The conviction that diversity is right has given way to a realisation that diversity also brings many benefits."

The 10 most diverse nations

Rank	Country	Ethnic Fractionalization Index	Cultural Diversity Index
1	Papua New Guinea	1.000	-
2	Tanzania	0.953	0.564
3	Democratic Republic of Congo	0.933	0.628
4	Uganda	0.930	0.647
5	Liberia	0.899	0.644
6	Cameroon	0.887	0.733
7	Togo	0.883	0.602
8	South Africa	0.880	0.530
9	Congo	0.878	0.562
10	Madagascar	0.861	1.912

Source: Fearon, J: Ethnic and Cultural Diversity By Country, 2003.
Notes: Cultural fractionalisation is approximated by a measure of similarity between languages, varying from 1 (i.e. the population speaks two or more unrelated languages) to 0 (i.e. the entire population speaks the same language). The index of cultural diversity is biased towards linguistic variations rather than genetic diversity and other variations. Because its diversity is so great that no single group represents more than 1% of the population, which is the study's threshold for measurement, Papua New Guinea registers no score for cultural diversity – an anomaly acknowledged by Fearon.

3.2. Corporate culture

While diversity in the workplace and diversity of thought in particular have only recently emerged in earnest, the story of corporate culture stretches back at least a hundred years. It is not hard to discern evidence of shared values in the early-20th-century factories of Henry Ford, and it might even be posited that something similar was present in the sweatshops of the first industrial revolution – notwithstanding that the "values" in such settings frequently amounted to little more than a commitment to virtual slave labour.

Ford built one of the biggest and most successful companies in history long before the term "corporate culture" entered the business lexicon[5]. He may never have pondered the topics that nowadays occupy the collective minds of countless C-suites. Yet he expected his employees to accept his vision, which was that every worker should play a part in a production process so efficient that a much greater proportion of the population would aspire to car ownership – and, beyond this, that consumerism would one day somehow predicate global peace. Although his dream of universal amity went unfulfilled, he undoubtedly changed the world through his resolve to produce and sell an affordable product.

In the mid-to-late 1970s, when they turned their gaze eastwards amid economic malaise at home, US academics and consultants found corporate culture and shared values spectacularly crystallised in the fast-growing enterprises of Japan. In their hugely influential book, *In Search of Excellence,* management gurus Tom Peters and Robert Waterman wrote of the Japanese "proclivity for meeting, singing company songs and chanting the corporate litany", noting: "The good news comes from treating people decently and asking them to shine... and from producing things that work."

The lessons were duly imported to the West. They were perhaps most famously encapsulated in the 7S framework, which Peters and Waterman designed in collaboration with Richard Pascale and Tony Athos, authors of *The Art of Japanese Management*. Businesses at the cutting edge of strategic thinking increasingly embraced concepts such as "alignment" and "mutual reinforcement". It was not necessarily a case of gathering to warble a company anthem every morning: rather, it was a case of understanding the "hard" and "soft" elements of successful management and appreciating the role of coordination, not structure, in improving effectiveness.

While the drive for diversity has traditionally been led by HR departments, corporate culture has almost invariably been shaped in boardrooms. Two essential and ostensibly interrelated components of an organisation's performance have thus become more and more disconnected. This divergence is at the centre of the tensions that we mentioned in introducing this paper.

"Businesses at the cutting edge of strategic thinking increasingly embraced concepts such as 'alignment' and 'mutual reinforcement'."

All roads lead to shared values

In the late 1970s, armed with little more than a generous travel budget, Tom Peters was tasked with researching "organisational effectiveness" for McKinsey & Company. He was not obliged to prove an existing rule or concoct a novel theory: he was merely required, as he later recalled, to meet "genuinely smart, remarkably interesting, first-rate people".

The project was originally viewed as the less important of two that McKinsey launched simultaneously, with the other – vaguely dedicated to "business strategy" – allocated to the firm's leading consultants and backed by far superior resources. Yet it was Peters' work that led to a paradigm shift in management theory, while the "business strategy" assignment came to nothing.

In 1979, when first invited to communicate his findings, Peters assembled a 700-slide presentation for a German audience. Fortunately, he was later persuaded to distil this into something more easily absorbed.

The result was the 7S framework, a simple map of the factors likely to influence an organisation's ability to change. It was regarded as revolutionary at the time and is still used today. Three of its S's – strategy, structure and systems – represent the "hard" elements of an organisation; three more – skills, staff and style – represent the "soft" elements; and all are linked to the creation of shared values. Crucially, an absence of hierarchy signifies that progress in any one area demands progress in every area.

The 7S framework
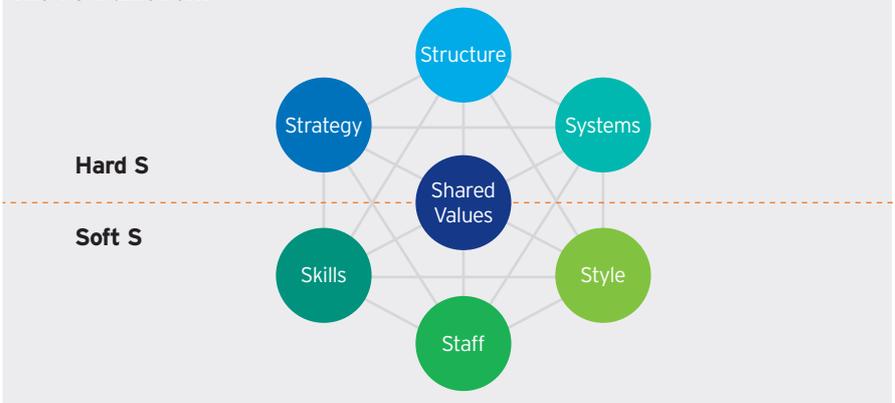
Source: McKinsey & Company; Peters, T, and Waterman, R: *In Search of Excellence, 1982.*

KOF is an acronym for the German word "Konjunkturforschungsstelle" meaning cycle research institute. The KOF Index of Globalisation measures the globalization of countries. It was conceived by Axel Dreher and the KOF of ETH Zurich, Switzerzland.

3.3. Globalisation

The third dynamic at play here is globalisation, a phenomenon that is by no means new[6]. Scholars have mooted that it began decades, centuries or even millennia ago. What is beyond dispute is that the past half-century has seen an unprecedented acceleration of the process, with an especially rapid increase witnessed between 1990 and 2007.

Even setting aside current debates about the renaissance of trade wars and populist politics, it is obvious that progress has come at different speeds and in different forms in different parts of the world. The fact that it is possible to buy a Big Mac in Beijing and chow mein in Charleston, for instance, does not mean that China and the US are at precisely the same point in precisely the same journey.

The 2018 KOF Globalisation Index, published by the KOF Swiss Economic Institute, named Switzerland as the world's most globalised country, with a score of 91.17 out of 100. The Netherlands, Belgium, Sweden and the UK completed the top five. In spite of the presence of more than 2,000 branches of McDonald's, China languished in 89th position. The US – which, lest we forget, is routinely hailed as a melting pot nonpareil – only narrowly squeezed into the leading 25.

Findings such as these might fly in the face of many people's basic conceptions of globalisation. Some readers might be surprised, for example, to see the US, the world's most powerful economy, trailing the likes of the Czech Republic and Estonia. Yet what is really relevant here, as with James Fearon's analysis of diversity within individual nations, is the overall picture of a world that is still undeniably heterogeneous: the effects of globalisation, however they are gauged, vary from nation to nation and from region to region – often massively so.

The reality is that globalisation has yet to produce any kind of level playing field: a rising tide might lift all boats, but some are still able to set sail more swiftly than others. It is therefore extremely fanciful – and maybe even arrogant – to assume that the familiar can be found or, worse still, easily recreated everywhere.

"It is extremely fanciful – and maybe even arrogant – to assume that the familiar can be found or, worse still, easily recreated everywhere."
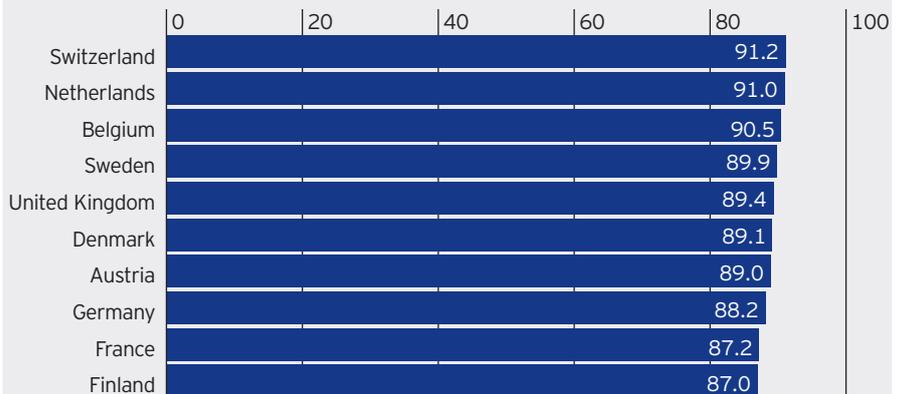
Globalisation: one size does not fit all

The KOF Globalisation Index has been published since 2002. It measures social, economic and political dimensions to calculate a country's degree of globalisation.

The most recent ranking, released in late 2018, drew on data for 2016. The table below shows only the top 10. Eritrea, with 29.97 out of 100, was the lowest-scoring nation among those judged to have felt the effects of globalisation, although many other countries registered no score at all.

A comparison of the findings from this study and those from James Fearon's research, as featured in section 3.1, underlines the complexity of the relationship between globalisation and diversity. Many African countries fare poorly in KOF's assessment yet are highly ranked in Fearon's list; by contrast, many European countries are considered notably globalised but are still relatively homogeneous in ethnic terms.

Perhaps most strikingly, according to KOF, there are 150 nations that are more globalised than Papua New Guinea, which Fearon deemed the most diverse country on Earth. Even allowing for the fact that any ranking is hostage to the criteria on which it is based, it is clear that globalisation and diversity do not march in lockstep[7].

The 10 most globalised nations

Nation	Score
Switzerland	91.2
Netherlands	91.0
Belgium	90.5
Sweden	89.9
United Kingdom	89.4
Denmark	89.1
Austria	89.0
Germany	88.2
France	87.2
Finland	87.0

Source: KOF Swiss Economic Institute: KOF Globalisation Index, 2018.

4. From melting pot to mosaic

4.1. Conflict

Imagine a company whose grasp of the dynamics delineated in the previous chapter is simplistic, misguided or even wilfully warped. This company, which we will call the Acme Corporation[8], treats diversity and corporate culture as largely unrelated concerns; it is blind to enduring heterogeneity and instead believes that the forces of globalisation are fashioning an inviting tabula rasa that businesses can use as they please; and it sees expansion and recruitment not as means of adding to its epistemic base or enhancing its outlook but as means of conquering new frontiers and spreading its own message.

Acme's HR department thinks of diversity purely as a box-ticking exercise. "Window dressing" is prioritised over any legitimate attempt to grant a voice to employees whose experiences and opinions might diverge from those that have long since become firmly ingrained. Diversity is the stuff of website photographs and marketing documents – a requirement that can be met almost incidentally as the company augments its workforce and furthers its international ambitions.

Meanwhile, Acme's corporate culture is non-negotiable. Forged exclusively in the boardroom and focused almost entirely on profit, it has served the company well for many years and is expected to continue to do so. Anyone who joins the ranks must defer to it. Irrespective of the "where" or the "who", it has to hold true. It is exported when globalisation helps Acme to venture out into the world, and it is inculcated when globlalisation instead brings the world to Acme.

So Acme has a semblance of a diversity policy but, tellingly, no inclusion policy: it welcomes "movie extras"[9] – to revisit a quote used in the first paper in this series – but has no interest in substantive change. It also encourages assimilation rather than integration: the company moulds its employees, not vice versa. Meanwhile, globalisation – whether defined by the movement of capital, goods, services or people – is viewed as a handy vehicle for the half-hearted ticking of the "diversity" box and as a potent tool for enacting Acme's carved-in-stone philosophy here, there and everywhere.

In sum: Acme places diversity and corporate culture in direct conflict with each other while mistakenly reckoning globalisation to be an expedient enabler of both. Such an approach is greatly removed from the ideal and unlikely to prove sustainable over the longer term.

> **"Such an approach is greatly removed from the ideal and unlikely to prove sustainable over the longer term."**

Homo economicus versus homo faber

Homo economicus and homo faber are terms used to describe the psychology and motivations of individuals in the workplace. For homo economicus work is nothing more than a way of making money. For homo faber work is prized for its intrinsic meanings, challenges and satisfactions.

Some scholars have argued that Henry Ford struck a milestone blow for the former rationale by distilling the various skills of genuine craftsmen into a procession of repetitive tasks at his Detroit factories. Equally, through its myopic attitudes to diversity and corporate culture, an employer such as our fictional Acme Corporation also furthers the homo economicus cause.

On a continuum stretching from homo economicus to homo faber, as shown below, we would position Acme far to the left. By treating diversity as a box-ticking exercise and dictating its purported values from the top down – in other words, by doing nothing to grant its employees a voice – it effectively rejects the concept of homo faber.

By contrast, a company that promotes diversity and inclusion and gives its employees a valid role in determining its culture would be positioned much closer to the right. Since it is the philosophical inverse of Acme, we will call this company the Emca Corporation.

A continuum of contrasting approaches

Acme Corporation	Emca Corporation
■ Pays lip service to diversity	■ Genuine commitment to diversity
■ Does not practise genuine inclusion	■ Practise diversity and inclusion
■ Top-down approach to corporate culture	■ 360⁰ approach to corporate culture
■ Company shapes employees	■ Employees shape company

Home economics   Home faber

Source: Invesco.

4.2. Commonalities

It could be, of course, that the Acme Corporation survives and even prospers. Stranger things have happened. Yet the pressures and demands that companies face today – including those exerted by clients and other stakeholders – suggest otherwise.

We know, for example, that diversity in the most authentic sense – that is, a commitment to ensuring that every individual feels truly involved and valued – is likely to lead to better decision-making, problem-solving and performance. Invesco's own policies are intended to foster an enthused, dedicated, high-performing working environment that inspires everyone to express themselves and in which constructive dialogue, not unthinking conformity, is the norm. To return to McKinsey & Company's recent research: "The business case for diversity continues to be compelling and have global relevance."

We know, too, that an inflexible corporate culture that comes only from above and takes no account of "grass roots" inputs or sentiment is unlikely to last forever. The Ford Motor Company of today operates according to standards, conditions and conventions that might never have crossed its founder's mind more than a century ago[10]. Propelled by the ruthless "rank and yank" strategy championed by its most senior executives, Enron swept all before it until the fatal flaws at the heart of its model were at last deservedly exposed. Unbreakable, top-down-imposed tenets seldom enjoy conspicuous longevity.

Yet there is no denying that every organisation needs commonalities of some sort. A thoroughly disordered, "anything goes" ethos is merely a recipe for chaos. Corporate culture should unify a workforce in a tangible, meaningful way that offers a sense of direction and purpose; according to a study by Cambridge Judge Business School and the University of Minnesota's Carlson School of Management, it can even be the primary catalyst for innovation.

It might therefore be instructive to briefly consider one of the most innovative and successful companies of all time, Apple, which in August 2018 became the first-ever business to attain a trillion-dollar market capitalisation. Analysts have attributed Apple's global pre-eminence to underlying principles such as excellence, creativity and combativeness[11], while the company's official "vision statement", as articulated by CEO Tim Cook, states: "We believe in deep collaboration and cross-pollination of our groups." Is there anything to be learnt here? What is both revealing and highly significant, we say, is that the commonalities enshrined in Apple's corporate culture – like those found in our own – are in fact specifically geared towards diversity in general and diversity of thought in particular.

"An inflexible corporate culture that comes only from above and takes no account of 'grass roots' inputs or sentiment is unlikely to last forever."

Two sides of the same coin

Established in 2014, New Financial is a think-tank that aims to "change the quality and direction of the debate on the future of capital markets." In early 2019 it published a study exploring how financial services companies address issues around diversity and corporate culture.

Introducing their findings, the authors wrote: "It is impossible to change the prevailing culture that defines how people behave at work without acknowledging the impact of an individual's background, experiences and perspectives. Equally, there is little point in creating a diverse workforce if the cultural norms, behaviours and incentives within a company do not allow them to contribute and flourish."

We agree that diversity and corporate culture are two sides of the same coin. The table below, which details the top five reasons that study respondents gave when asked why each is important, emphasises this point: the reasons given are the same in three out of five instances.

As the study authors concluded: "There is a growing awareness of how diversity and culture are interconnected and can be mutually reinforcing. They both feed into how companies behave, think and perform."

Top five reasons why diversity is important	Top five reasons why corporate culture is important
1. To improve decision-making	1. To enhance financial performance
2. To attract and retain talent	2. To manage and mitigate risk
3. To innovate and compete	3. To attract and retain talent
4. To enhance financial performance	4. To innovate and compete
5. To reflect all stakeholders	5. To unlock employee potential

Source: New Financial: Diversity and Culture: Analysis of the Differences and Similarities in How Companies Approach Diversity and Culture – and Why It Matters, 2019.
Notes: The findings were based on desk research (drawing on annual reports, corporate social responsibility reports, diversity reports and corporate websites) and on interviews with a number of capital market participants, including corporate governance experts and practitioners across diversity and inclusion, human resources and corporate culture.

"We construct a mosaic by adding to it, by constantly modifying and enriching the image as a whole, by including."

4.3. Confluence

We said at the outset that the relationship between diversity and corporate culture is widely misunderstood. The roots of the confusion usually lie in a failure to recognise that the two are not just closely interlinked but, like the factors in Peters and Waterman's seminal 7S framework, mutually reinforcing. It is ridiculous to treat them as separate issues when they could scarcely be more aligned and when each has such an enormous and inherent capacity to strengthen the other.

In a company such as our fictional Acme Corporation, where diversity is an HR-only matter and corporate culture is a C-suite-only matter, it is too often a case of "never the twain shall meet". Although the workforce might gradually tick every conceivable "diversity" box, the culture will never develop. Minority groups will remain seen but not heard. The established majority will always set the tone. Whatever their qualities, experiences and opinions, newcomers will have to adapt to the status quo that has long since become entrenched. This is a melting pot: regardless of what enters, the same thing emerges.

A company that operates in this monolithic manner does not practise integration: it practises assimilation. It does not believe in diversity as a medium for positive change. It does not believe in accommodating novel ways of thinking or incorporating myriad perspectives that might be fascinatingly at odds with its own. It does not believe in "difference." Above all, it does not believe in inclusion.

And this, ultimately, is what unites diversity and corporate culture – and, indeed, globalisation. They are not convenient excuses to satisfy irksome bureaucratic requirements, to bolster self-serving structures or to inflict a programme of "more of the same" on the grandest possible scale. They are all opportunities to include.

As we observed earlier, the term "melting pot" has been synonymous with diversity for decades; yet it is a misnomer, because it signals a shift towards homogeneity. The function of a melting pot is to distil, boil down, remove, take away, subtract, exclude. We construct a mosaic by adding to it, by constantly modifying and enriching the image as a whole, by including. It is inclusion, more than anything else, that makes "mosaic" a term far more consonant with the goals of an open-minded, innovative, forward-thinking organisation.

All roads lead to inclusion

We saw in chapter 3 that diversity, corporate culture and globalisation have rarely moved as one in the wider world. Yet this does not mean that we should not try to advance all three in concert in an organisational setting.

In 2013, outlining the findings of their new research into gender diversity at boardroom level, Harvard Business School academics Boris Groysberg and Deborah Bell coined a phrase that has since resurfaced in numerous debates about equality of opportunity: "Diversity is about counting the numbers. Inclusiveness is about making the numbers count."

We would argue that it is about much more than that. Just as the 7S framework that transformed organisational thinking in the 1980s had shared values at its core, all the dynamics discussed in this paper – diversity, corporate culture and globalisation – essentially revolve around one overarching objective: inclusion.

As with the 7S model, there is no hierarchy here – signifying that progress in any one area necessitates progress in every area. Diversity, corporate culture and globalisation thus represent a confluence, not a conflict.

Three dynamics, one goal

Source: Invesco.

5. Q&A: "The more different tiles, the better..."

How should the "mosaic" approach manifest itself in a business setting? Here Washington Dender, Invesco's Head of Human Resources, and Dr Henning Stein, co-author of this paper, reflect on the mechanisms and advantages of a genuine integration policy.

What are potential flaws of the "melting pot" model?

WD: Let's start by taking a look at the business versus the moral imperative for diverse representation in organisations. Stressing the moral imperative doesn't always land us in a good place. For example, leading research has suggested that companies with more women directors outperform those with fewer, yet a new body of peer-reviewed research suggests that this is only the case when women hold executive positions rather than-non executive.

The evidence suggests that the effect of gender diversity on performance doubles or even triples if we account for this context. It's not enough to have diversity at the table – we have to ensure that diverse colleagues have a voice and authority in the decision-making process. We don't see much increase in the diverse outperformance of teams and companies if we only stress the moral imperative or view diversity as a box-ticking exercise.

This is a good example of the disparity between paying lip service to diversity and ensuring that diversity is a vehicle for real change. There's no benefit in encouraging women or any other minority to join an organisation if they're just expected to conform to the norms that the existing majority already has in place, which is what the "melting pot" model implies.

HS: I actually think that the term "melting pot" has been seriously misapplied. It has extremely positive connotations for many people, but the fact is that there's very rarely anything positive about blind conformity.

The tendency to hail the US as a melting pot probably offers the most famous illustration. Despite its historical problems – slavery, the civil rights struggle, the fight for LGBTQ+ rights – the US has basically strived to be a mosaic; or it has at least strived to be thought of as one. The American Dream wasn't about unthinking adherence to the status quo: it was about everyone having the opportunity to succeed – and we believe in something comparable in a corporate setting.

A mosaic is geared towards integration, which celebrates difference, whereas a melting pot is geared towards assimilation, which prevents individuals from being who they are. The first is a vehicle for diversity, while the second is a vehicle for the exact opposite – ideology. As an organisation that promotes diversity of thought, we obviously favour the former. The more different tiles we add to our mosaic, the better we become.

Would you say that the "melting pot" model renders diversity meaningless?

WD: It can, in as much as we fail to meet our goal if diversity has no influence on a company's culture. This is why we would argue, as others have, that the question shouldn't be "Does diversity matter?" but rather "How can we make diversity matter?". Difference should be encouraged, and different opinions should be considered before a decision is made. Diversity should serve as an engine of organisational change, not as a bureaucratic exercise in rebalancing the scales.

A few years ago a study revealed that Norway, which enforces strict quotas regarding gender diversity at boardroom level, had a near-40% representation of women in non-executive director roles but 0% in executive director roles. That's a classic instance of how the mutually reinforcing links between diversity and corporate culture can be misunderstood, overlooked or ignored.

"Everyone makes mistakes; and it is essential to accept as much, because mistakes are vital to how we progress."

"A mosaic is geared towards integration, which celebrates difference, whereas a melting pot is geared towards assimilation, which prevents individuals from being who they are."

Does this mean that quotas don't improve inclusion?

HS: We can look at diversity from a "progressive" angle or from a more technocratic standpoint. Progressives want to change how society and organisations treat minorities by handing out advantages, while technocrats are driven by the virtue of meritocracy.

We prefer the technocratic approach, because it isn't related to any political agenda or ideology. It simply aims to get the right people into the right positions, regardless of gender or other identifiers – and I would say that it's actually the greatest accelerator of diversity in a market-based economy.

On my own team, Global Thought Leadership, we have seven nationalities, three races and a variety of sexual orientations, religions and skin colours. Everyone is included, everyone contributes, and everyone fully deserves to be there.

So maybe we should add meritocracy to the list of dynamics that revolve around the central idea of inclusion. In a perfect world – and in an ideal organisation – all these elements would be aligned and mutually reinforcing.

Who should take responsibility for ensuring that alignment and mutual reinforcement occur?

WD: The short answer is that everybody should take responsibility. This is a really important point.

It's often assumed that HR departments can solve diversity and inclusion in isolation or that executives alone should take charge of corporate culture. Yet research suggests that the companies most likely to achieve authentic inclusion are those in which diversity isn't controlled solely by HR professionals and corporate culture isn't dictated only from above. Diversity and inclusion are both a collective and individual responsibility.

The approach has to be top-down and bottom-up – or, to put it another way, 360º. The latter in particular chimes with the notion of diversity of thought. This might involve networking, outreach, support groups and other initiatives that are launched and championed by employees at all levels and which are centred on the things that matter most to them. The goal should be to create a broad level of engagement, inclusion and collaboration across an entire organisation.

We're proud that our own model is both grass-roots-driven and centrally led. We have strong support from our CEO and his direct reports and from grass-roots momentum from our employees. We believe that all employees should have both a seat and a voice at the table. We aim to be completely open-minded. We want everybody to be involved in a meaningful way.

HS: I always come back to the underpinning idea of giving everyone a voice. A company that can't or won't do this is hopelessly mired in the past. If only one person or a handful of people can expect to have a voice then we've hardly moved on from the organisational philosophies that defined classical Prussian military doctrine, which basically involved the supreme commander standing on a hill and telling his officers and soldiers where to go. This is the 21st century, not the 18th.

When diversity and corporate culture collide

Even the most successful and powerful companies might struggle to exploit the synergies between diversity and corporate culture. Recent controversies surrounding Google demonstrate as much.

In late 2017, after writing a memo that disparaged efforts to bring about greater gender equality, Google engineer James Damore was fired. He later filed a lawsuit that accused his ex-employees of "open hostility for conservative thought... paired with invidious discrimination on the basis of race and gender... to the detriment of Caucasian and male employees and potential employees."

Similarly, in August 2019 a second engineer, Kevin Cernekee, claimed that he had been blacklisted, bullied and finally sacked because his conservative beliefs were deemed "disrespectful and insubordinate". "There's a big political angle," Cernekee told the Wall Street Journal, "and they treat the two sides differently."

How would these incidents, if true, square with notions such as inclusion, open-mindedness and diversity of thought? Moreover, how would they square with former Google CEO Eric Schmidt's assertion, made in a 2019 Wired interview, that a company needs "aberrant geniuses, because they're the ones that drive the product excellence"? Such tensions have led to negative headlines and lost business.

6. Conclusion

Diversity and corporate culture have come a long way in recent decades. Today, a little over a quarter of a century since they were all but unknown to most businesses, both concepts are permanent fixtures on countless company agendas. Similarly, globalisation has become a defining phenomenon of our age – in spite of sporadic political efforts to reverse it.

Yet in this paper we have seen how these immensely powerful dynamics have not always prospered in harmony. They may have flourished simultaneously, but that is not the same thing. The relationships between them have been misinterpreted or taken for granted, as a consequence of which the cause of each – at least to some extent – has advanced in isolation. Only now is there a nascent acceptance that all three are very closely interconnected and should therefore be considered together.

As is clear from the research cited in chapter 3, we still live in a world of difference – whether in Papua New Guinea, Switzerland, the US or anywhere else. The "mosaic" approach welcomes this difference – unlike the "melting pot" approach, which rejects it.

A company that keeps adding to its own mosaic still faces challenges. The delicate balance between homo economicus and homo faber still has to be struck. Lines still have to be drawn – say, when the practices of an individual, a group, a country or a region are patently incompatible with a business's most keenly held values. But this is part of the essence of diversity of thought: even bad or inappropriate ideas help us to progress, because they inform our decision-making and problem-solving and so assist us in identifying the very best ideas.

Corporate culture should celebrate diversity, not reduce it to obsolescence. This is a vital lesson – one whose positive impacts should be felt not only within the businesses that are willing to learn it but by clients and shareholders and, even more broadly, throughout society as a whole.

Key takeaways
- Diversity and corporate culture should not be treated as separate considerations. They represent two sides of the same coin and should be mutually reinforcing.
- Both are ultimately geared towards inclusion. They should help ensure that all employees are able to make meaningful contributions, feel valued and can be who they really are.
- Everyone has to take responsibility for diversity and corporate culture. This demands a 360º approach that is driven both from the top down and from the bottom up.
- The "melting pot" model does not advance diversity or corporate culture, as it rejects difference. The "mosaic" model should be used, as it welcomes and celebrates difference.
- The "mosaic" approach encourages integration, heterogeneity, the notion of homo faber and diversity of thought. In turn, these should lead to competitive advantage and other positive impacts.

References

1 See *Broad Diversity as a Driver of Meritocracy (2018)* and *Diversity of Thought and the Search for Best Ideas (2019)*.

2 See, for example, *Management Teams: Why They Succeed or Fail (1981)*, in which Belbin famously urged organisations to contemplate the respective merits of "a collection of brilliant minds and a brilliant collection of minds".

3 See *Delivering Through Diversity (2018)*, which underlined the link between diversity and financial performance by suggesting that companies in the top quartile for executive teams' ethnic/cultural diversity could be 33% more likely to have industry-leading profitability.

4 See, for example, *The Failure of the Royal Bank of Scotland: Financial Services Authority Board Report (2011)*, which condemned the absence of "divergence from consensus" among RBS's board members in the run-up to the bank's ill-fated acquisition of ABN Amro in 2007.

5 An approximation of this term, "organisational culture", is believed to have first appeared in a 1972 study entitled *Understanding Your Organisation's Character*. The author, Roger Harrison, later reflected: "I hoped [the research] would put me on the map as a leading-edge thinker. In fact, the paper attracted virtually no attention at the time."

6 The phenomenon of globalisation is covered in detail in another Invesco white paper. See Anness, S, and Hall, A: *Global Opportunities in a Deglobalising World (2017)*.

7 It can be inferred from the findings of James Fearon's study and the KOF Globalisation Index that relatively poor countries tend to have a high degree of diversity and relatively rich countries tend to have a high degree of globalisation. Playing devil's advocate, we might therefore argue that diversity is not inherently useful and that it is globalisation that is necessary for a country to thrive.

   Yet a key point of this paper is that it is possible for diversity to exist in any setting, including within organisations, without its full benefits being felt. This is because its potential power has to be harnessed through inclusion. The structure of nations such as Papua New Guinea mirrors the structure of many organisations: it is diverse, but it is not inclusive – in effect, the diverse elements exist in silos. Globalisation – and, where appropriate, corporate culture – can help change this.

8 Cartoon fans will recognise this as the name of the company whose unrivalled range of innovations has been favoured by Wile E Coyote, arch-enemy of the Road Runner, since the late 1940s. Acme's products – including earthquake pills, dehydrated boulders and jet-propelled pogo-sticks – invariably fail at the most inopportune moment. This is plainly a company with problems.

9 American economist and social theorist Thomas Sowell coined the use of the term in this context when condemning "affirmative action" initiatives whose supposed beneficiaries serve only to "enhance the scene for others."

10 Ford's current corporate literature includes the following declaration: "Diversity and inclusion are fundamental parts of our business strategy and are key to enabling our business to connect and grow in a way that supports our employees, suppliers and customers. We recognise the benefits of a gender-balanced workforce, within our organisation and our industry, and we value the new Gender Pay Gap reporting elements in focusing our ongoing efforts to achieve this aim." Maybe this can be seen as a 21st-century extrapolation of one of Henry Ford's most celebrated maxims: "Coming together is a beginning, staying together is progress, and working together is success."

11 The last of these mirrors Invesco's own "challenge culture", which is based on a conviction that we should never be afraid to ask questions and that we all learn from our mistakes.

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About risk

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information