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Impact of Team Diversity on Consumer Perceptions

Uzma Khan, PhD and Ajay Kalra, PhD

Previous research has demonstrated the positive benefits of diversity on organizational culture and decision-making, while changing views among consumers and companies has led to widespread support for increased diversity in the workforce. Having employees of various backgrounds and experience is vital to increasing access to markets, translating to a higher chance of marketplace success. Furthermore, diversity is supported by legislation that supports such hiring practices, and public perception is molded by information such as Fortune 500 rankings of companies based on their diversity.



Although industry has noticed the impact that a diverse workforce can have on an organization's success, we studied whether consumers notice workforce diversity and whether diversity affects consumer response to the firm.

Diversity itself refers to including individuals of a variety of social and ethnic backgrounds, genders, sexual orientation, and other aspects. As such,

it is necessary to distinguish between surface-level and deep-level diversity. Surface-level diversity refers to observable differences like ethnicity, gender, race, or age while deep-level diversity refers to differences in attitudes, expertise, beliefs, personalities, etc., characteristics that are not easily observable. Since deep-level diversity is difficult to measure, surface-level diversity is used as an indicator of the deeper differences. Likewise, we believe that consumers largely notice and consider surface-level diversity.

Connecting Diversity and Morality

Increasing knowledge of socioeconomic conditions, climate change, political challenges, etc., has led to consumers lending support to companies that align with consumers' personal and moral views. Corporations have taken notice and have leveraged this knowledge. For example, Coca-Cola sells drinks in sustainable packaging; Apple pledges funds to underserved American schools; and Starbucks now uses paper straws. Yet, how can consumers judge a company's morality with many undisclosed factors to be considered? How can judgments be made when firms and consumers have little direct interaction? And yet we know that consumer perceptions—even those based on limited information—affect consumer decisions that, in turn, affect a firm's success.

We hypothesize that firm diversity signals morality to the consumer, as a greater range of perspectives will be considered for company decisions. Since teams with deep-level differences have access to a larger range of perspectives and experiences, they likely consider more information in the process of consensus-building. We believe consumers account for this when estimating the marketplace morality of a corporation: the balance a company finds between its self-interest and the greater good. All this information contributes to a consumer's decision to favor or disfavor a company. We focused on how the diversity of a consumer-facing team positively influences moral perceptions of the team and, in turn, consumer attitudes and behavior toward a firm.

Study Background

Our investigation into how the diversity of a consumer-facing team influences moral perceptions and the consumer response to the firm began with an assumption that consumers consider diverse teams to be more moral. Consumers increasingly factor moral concerns into consumption decisions, accounting for the societal benefit a corporation provides as well as its historical ethical lapses. Due to this perceived association on the part of consumers, many companies attempt to differentiate themselves on a moral basis. We aim to determine if firms can leverage diversity to engender a positive consumer perception of the firm's overall morality.

Within the factors consumers consider with respect to a diverse team's higher morality, compared to a homogenous team, is its level of perspective taking. Perspective taking is a collaborative ability of a team that relates to the number of world views or perspectives that a team can consider. It is logical to say that a more diverse team integrates more perspectives from team members while a homogenous team will be restricted to similar perspectives, potentially ignoring valuable information. Our studies point to this factor as the basis for why consumers consider a diverse team as more moral than a homogenous team.

Our Study

We conducted six different studies that incorporated racial and gender diversity, and we recruited samples of individuals for each study. Participants were introduced into a situation that replicated a real-world environment and that would allow us to test specific aspects of our hypothesis. Additionally, certain studies had extra controls to ensure outside factors such as biases or motivations would not influence study results and to strengthen the validity of our conclusions.

With a focus on racial diversity and a context of brand transgressions, study 1 showed that diversity improves perceptions of the perspective-taking ability and the morality of a team, subsequently improving consumer responses to the firm. Study 2 recreates the real-life context of a suspected brand transgression for participants and demonstrates that a team's racial diversity affects perceptions of a team leader's morality and consumer responses.

Study 3 (in the environment of COVID-19 vaccine development) tested uniform nationality of team members against diverse nationalities of team members and found that consumers believed that the more diverse team would more be more moral in its actions. Study 4 demonstrates that gender diversity among a minority race also results in positive consumer responses and that, once again, consumers believe that broader perspectives exist within a gender-diverse team than in a gender-homogenous team. Study 5 directly challenged what consumers perceive for the perspective-taking abilities of diverse teams. When participants were told that a diverse team and a homogenous team had the same level of perspective-taking ability, they were viewed as equally moral. This indicates that the benefits of diversity can be neutralized if perspective-taking is equally observed by consumers. Finally, study 6 examined how team diversity can increase consumer donations, proving that consumer responses are affected.

Our six studies, in short, demonstrate that team diversity impacts the perceptions of morality by consumers and should be considered when firms build consumer-facing teams. Increasing diversity of race, gender, and nationality in teams will contribute to positive perceptions and consumer responses toward a firm.

Real Estate Implications

These trends of morality influencing consumer decision-making extends to real estate. The prevalence of news sites and dissemination of information via social media means that the average customer is more informed than ever. It is essential that real estate firms keep our findings in mind when building consumer-facing teams. A more diverse sales team will likely increase the



appeal of a firm to potential clients, as they will feel that client needs and the needs of the community are being more widely considered. Concerns that buyers' and sellers' needs might be neglected will be reduced as they are served by more diverse teams.

A perception of morality will help a firm, not hurt it. The implication of reducing the impact of past transgressions is a particular concern for larger, public corporate firms. These companies' public perceptions will improve if consumers recognize their morality, potentially growing market success.

Recommended Reading

Khan, Uzma, and Ajay Kalra (2022), "It's Good to Be Different: How Diversity Impacts Judgements of Moral Behavior," *Journal of Consumer Research*, 49(2), 177-201.

About the Authors

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Dr. Uzma Khan (PhD – Yale University) is an expert on consumer behavior, marketing management, strategy, branding, and decision-making. Her research focuses on diversity, goals and motivation, risk perception, and choice architecture. Her work has won several awards and has been published in top journals including *Journal of Consumer Research*, *Journal of Marketing Research*, *Management Science*, and *Psychological Science*. She serves on editorial review boards for *Journal of Marketing Research* and *Journal of Consumer Psychology* and has consulted for clients in finance, startup, airline, CPG, education and high-tech industries. She teaches graduate and executive-level courses.

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