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LGBTQ-friendly companies produce more patents and innovation

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Veda Fatmy Jukka Sihvonen Sami Vähämaa June 30th, 2025

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Why do some firms consistently outperform others in terms of creative output? Diversity may be the answer. ***Veda Fatmy, Jukka Sihvonen*** *and* ***Sami Vähämaa*** *write that LGBTQ-inclusive firms produce more patents, generate higher-quality innovations and have a higher concentration of individual inventors among their employees.*

In today's business environment, diversity and inclusion initiatives have moved beyond moral considerations and are increasingly recognised as strategic investments. Previous research has shown that LGBTQ-friendliness is generally good for the firm's financial performance and

stock market valuation. Building on our earlier findings, our research team turned its focus to the specific channels through which inclusivity in the workplace pays off. Innovation, a key ingredient for success which is driven more by human talent rather than equipment or physical capital, emerged as a natural area for further investigation.

Our new study, which examines large US corporations over a 21-year period, highlights measurable benefits of creating inclusive environments for sexual minorities that extend beyond financial metrics to the core of competitive advantage: the quantity and quality of corporate innovation.

More innovative

Using the Corporate Equality Index (CEI), a widely employed measure of LGBTQ-friendly corporate policies published by the Human Rights Campaign, and data from the United States Patent and Trademarks Office, the study found striking results. An increase in a firm's CEI score raises its patent output and patent citations, a key measure of innovation quality.

Moreover, patents from LGBTQ-friendly firms scored higher in terms of originality, international reach and breadth of application. Firms with LGBTQ-inclusive policies also have more individual inventors among their employees, indicating a deeper pool of creative talent. Notably, tech giants like Apple, Amazon, Google, Nvidia, Meta and Microsoft—the six most valuable firms in the US—all maintain perfect CEI scores of 100, illustrating how the world's most innovative firms embrace inclusive workplace policies as a key HR strategy.

Importantly, the relationship between LGBTQ-friendly employee policies and enhanced innovation proved robust across different time periods, geographic locations and political contexts. Even after rigorously

controlling for confounding factors like overall employee-friendly practices, diversity initiatives, industry-specific characteristics and regional variations, the positive link between LGBTQ-friendliness and innovation remained consistent. In particular, we demonstrate that these policies have an incremental impact on corporate innovation that is over and above the influence of general diversity considerations, the presence of other employee-friendly policies and the firm's inclusion in Fortune's list of best places to work.

It could also be argued that inclusion of sexual minorities would only be an effective boost to corporate success in more liberal areas. However, after altering our initial sample to exclude the most liberal US states according to their results in presidential elections and their religious population, LGBTQ-friendly policies continue to have a strong, positive impact on all measures of corporate innovation and innovation quality. This robustness highlights the broad applicability and strategic value of inclusive practices beyond traditionally progressive or "blue-state" environments.

From policy to practice

Why would inclusive policies fuel such dramatic increases in innovation? Our findings align closely with theories from human resource management and corporate social responsibility literature, which consistently link inclusive workplace environments to enhanced job satisfaction, employee commitment, and productivity. By adopting LGBTQ-inclusive measures, such as explicit anti-discrimination policies, equal employee benefits and active public advocacy, firms position themselves effectively to recruit top-tier talent from the estimated 20 million LGBTQ population in the US in developing a dynamic, more diverse organisational culture.

From a human resource perspective, it's essential that LGBTQ policies go beyond statements and translate into concrete actions—such as ensuring equal opportunities and benefits, offering targeted employee training and establishing a system of independence and accountability through diversity councils.

When firms effectively back their LGBTQ employees through these types of practical initiatives, they create an environment where professionals are more likely to aspire to leadership roles and stay with the organisation long-term. Employees from diverse backgrounds tend to show greater loyalty to workplaces where they feel safe from discrimination and free to be open about their identities.

In today's digital age, a firm's workplace culture is highly visible. Widespread social media use combined with organisations like the Human Rights Campaign shining a spotlight on the degree of fulfillment of observable metrics make it easy for customers, potential employees and other stakeholders to gauge whether a firm's diversity efforts are genuine or just shallow attempts to appear socially legitimate.

Leadership support for LGBTQ-inclusive practices is vital, but building an inclusive culture requires more than endorsement from the top—it demands real, consistent involvement from employees and managers across all levels of the organisation.

Why it matters

During a period when diversity, equity, and inclusion (DEI) initiatives are highly debated in the US, this study provides timely evidence on how inclusive corporate policies can deliver competitive advantage. The results provide a clear message to corporate leaders: establishing and maintaining LGBTQ-inclusive employee policies is a valuable strategy with an economically significant impact on innovation.

By prioritising diversity and inclusion, firms are building stronger, more creative organisations that are better positioned to lead in the future. In the words of Tim Cook, the CEO of Apple, it is a "good fortune to work at a company that loves creativity and innovation and knows it can only flourish when you embrace people's differences."

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