Business Case for Diversity with Inclusion

Recruiting, retaining, and promoting diverse employees are critical to a corporation's success in this evolving marketplace. These efforts must be carefully planned, nurtured, and measured to ensure success.

There are few who would argue against positive co-worker relationships and respect for the individual dignity as being helpful in developing a positive workplace environment. Many organizations are proud to display their espoused values like respect, teamwork, individual dignity, and integrity on plagues throughout the workplace. And yet, even in these organizations, people find themselves faced with a range of behaviors and predicaments that "fly in the face" of the well-intended values. Even in workplaces where the intentions are genuine, some people find obstacles to their full engagement based not on issues of qualification and performance, but rather on the visible and invisible group memberships they represent.

The United States as a Case Study

Historically, American workplace has been a bastion of male dominance. The literature is replete with examples of male dominance in the work place with a particular emphasis on the dominance of white men in particular. However, over the past 25 years we have seen a number of changes and trend developments that have had significant impact on business and other organizations who seek to thrive in the modern economic environment. Of particular interest to this topic area are the significant changes and trends in the demography of markets and the talent required for sustainable competitive advantage. Here is a summary of what we know about the current situation for U.S. business enterprise:

- The changing demographics of the United States are transforming the culture and buying habits of this nation. This metamorphosis is occurring more rapidly than anticipated. Companies that intend to be competitive going forward must understand and actively court merging-market customers, including people of color, gays/lesbians and people with disabilities.

- Involvement in emerging-market communities, from supplier-diversity initiatives to philanthropic endeavors, sends a strong signal of support to potential customers and employees within these communities.

- Recruiting, retaining, and promoting diverse employees is critical to a corporation's success in this evolving marketplace. These efforts must be carefully planned, nurtured, and measured to ensure success.

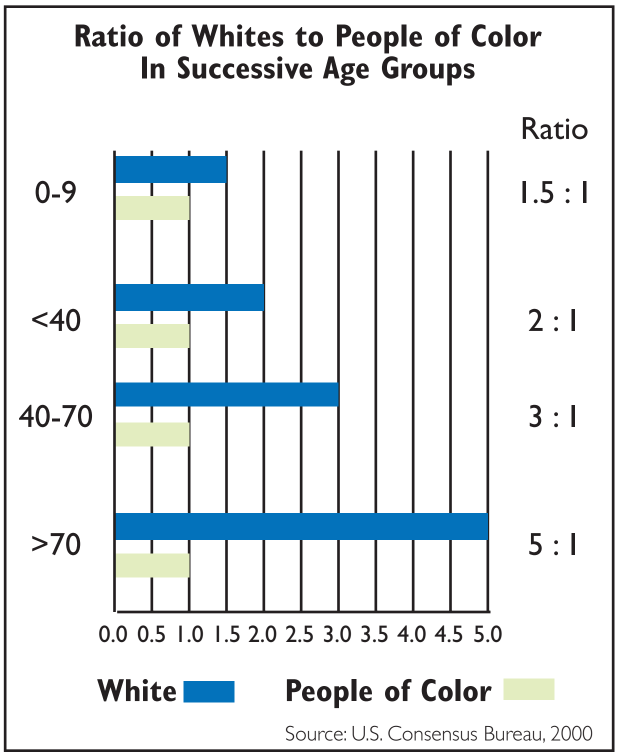
- Corporate diversity initiatives must have total buy-in from top management, particularly from the CEO. Without support from the top, integration of diversity, inclusion and engagement strategies into corporate business plans and a company's culture are doomed to fail.

- Corporations must now pay closer attention to the details of quality of life in the communities in which they are embedded as a basis for developing a renewal resource for highly talented associates, suppliers, and distribution partners.

Taking A Closer Look At the Demographics

According to the editors at Diversity, Inc. (a leading industry publication), *"the changing demographics in the United States indicate a definite trend towards the "browning of America."* Whereas in 1980, only 20% of the population in the U.S. was non-white, in 2000 that percentage had increased to 25%. By 2010, 33% of the population will be non-white, and by 2040 half of the population will be made up of groups now considered "minorities." They say that *"the workforce of the present and future is populated by increasing numbers people of color; even more so than we're traditionally educated to expect and embrace."*

Fig. 1



Adapted from: The Business Case for Diversity by Diversity Inc., 2002

People of color as a segment of the population are comparatively younger than the white population. Whereas whites outnumber non-whites 5 to 1 in the 70 plus age group, the ratio is only 2 to 1 for the under 40 population. More important for our shared economic future, the ratio of white people and people of color age ten or younger is only 1.5 to 1. This means that as today's children enter the workforce, they will do so with a dramatically more diverse and integrated cohort. U.S. business enterprise has entered into a transition stage toward a highly complex and diverse environment. In time, American businesses must learn the principles and skills for attracting, developing, and retaining a more diverse mix of talented employees. They must pay closer attention to supply-line stakeholders (suppliers, distributors, dealers) and customers. Inclusion strategies addressing these issues must be identified, internalized, and practiced by businesses and organizations throughout the U.S. Companies who fail to do this may find themselves at a strategic disadvantage in the markets for talent and customers.

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Follow The Money: New Customers from Emerging Domestic Markets

Emerging markets for new customers, suppliers, and talent drive the requirement for new competencies in dealing with the issues of diversity and inclusion. This is not only an issue for global multi-national companies but also for companies seeking to further develop their opportunities in the U.S. domestic market. The data virtually speaks for itself. According to research done by the Selig Center for Economic Growth at the University of Georgia, the buying power of people of color has grown dramatically over the past decade. The combined buying power of people of color in the U.S. grew from a base of nearly $600,000 billion in 1990 to approximately $1.4 trillion in 2001. The trend established here is indicative of the potential growth in buying power over the next ten years.

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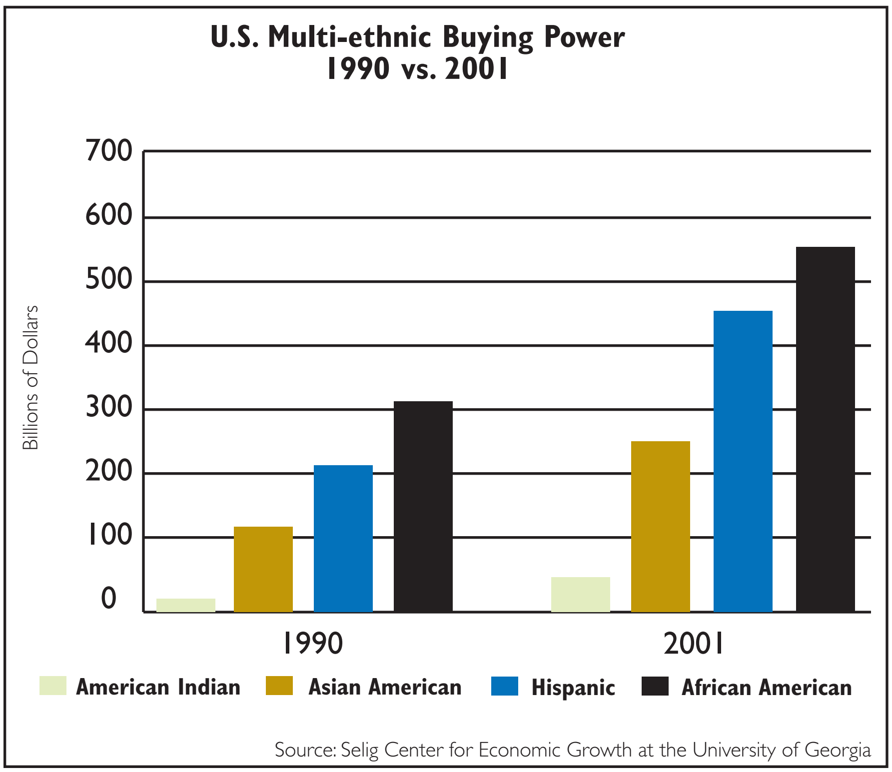
Fig. 2



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Emerging Market: The Gay Lesbian Bisexual Transgender (GLBT) Community

Despite increasing anecdotal evidence that the number of gay, lesbian and bisexual people in the United States is on the rise, there continues to be a dearth of hard data to accurately describe the group. While there are a number of credible researchers on this emerging market, the data exhaust from their work is not yet complete. Some of the research suggests that the great majority of the gay, lesbian, bisexual and transgender (GLBT) community is wealthier and better educated than most Americans. Perhaps the most compelling research available at this time is the work of Planet Out Partners. Their work shows gay Americans with a collective buying power of $450 million. Their work also indicates that GBLT survey respondents commanded significant buying in comparison to other demographic groups.

As reported in Fast Company (August 1998), the yearlong study conducted by a team from McKinsey & Company—a study involving 77 companies and almost 6,000 managers and executives—the most important corporate resource over the next 20 years will be talent: smart, sophisticated business people who are technologically literate, globally astute, and operationally agile.

Fig. 3

MARKET	POPULATION	BUYING POWER	BUYING POWER PER CAPITA
African American	30 Million	$535 Billion	$17.8K
Gay American	**16.5 Million**	**$450 Billion**	**$27.3K**
Hispanic American	31 Million	$383 Billion	$12.4K
Asian American	11 Million	$229 Billion	$12.0K

Source: Planet Out Partners, Inc. (2003)

At the other end of the spectrum of credible research is Lee Badgett's (1998, "Income Inflation: The Myth of Affluence Among Gay, Lesbian and Bisexual Americans."). His work indicates that gay and lesbian Americans generally earn less than their heterosexual counterparts.

The primary challenge for GLBT researchers and marketers alike is the requirement that survey respondents must self-identify as gay, lesbian, bisexual or transgender. Making their work more difficult is the continuing discrimination people with different sexual orientations experience in this country. Additionally, gays and lesbians have the ability to deny or to hide their sexual orientation. Therefore, there is no quick answer to the questions of number, location, wealth, buying power, and education of this sometimes invisible demographic.

Emerging Markets: People With Disabilities

It may come as a surprise to many of us that this increasingly powerful group maintains an aggregate income that now exceeds $1 trillion and boasts $220 billion in discretionary spending power. Marketing programs aimed at people with disabilities can reach as many as four out of every 10 consumers. As the largest of all U.S.-based minority groups, this group is comprised of people of all ethnic backgrounds, cultures and ages.

According to the U.S. Census Bureau, between 1990 and 2000, the number of Americans with disabilities increased 25 percent. Of the nearly 70 million families in the United States, more than 20 million families have at least one member with a disability. These facts constitute a compelling argument to encourage forward thinking companies to reach out to these consumers.

Woman: Impacting All Markets

In a joint study conducted by Catalyst and the National Foundation for Women Business Owners (1998), researchers observed an accelerating trend of women establishing their own businesses. A key feature of their findings brought attention to a trend indicating that women who first gain management experience in mid- to large-sized companies often choose to leave corporate America to start their own firms.

What they found was that in recent years, women-owned businesses have grown dramatically both in number and in economic strength; many women who have worked in corporations are drawn to business ownership because it gives them greater control over their time, productivity, and advancement. According to this research, women cite four major reasons for leaving the private sector: lack of flexibility (51 percent); glass ceiling (29 percent); unhappiness with work environment (28 percent), and feeling unchallenged in their jobs (22 percent). Only 5 percent report being downsized, and only 3 percent say they were victims of sexual harassment. Gaining insight into this trend is a requirement for corporate leaders who are struggling to retain their most talented women.

Organizations that are successful in leveraging the diversity of their people are better able to adapt to changes in the external environment.

The "War For Talent" in the 21st Century

According to a year long study done by McKinsey & Company, a leading business consulting firm in the U.S., the most important corporate asset will not be its technology, or its plant infrastructure. It will be the talented people, so-called human capital, which will become the most valued corporate resource. It will also be the resource in shortest supply.

As reported in Fast Company (August 1998), the yearlong study conducted by a team from McKinsey & Company—a study involving 77 companies and almost 6,000 managers and executives—the most important corporate resource over the next 20 years will be talent: smart, sophisticated business people who are technologically literate, globally astute, and operationally agile. And even as the demand for talent increases, the supply of it will decrease. The McKinsey team is blunt about what will result from these trends: its report is titled "The War for Talent." The search for the best and the brightest will become a constant, costly battle—a fight with no final victory. Not only will companies have to devise more imaginative hiring practices; they will also have to work harder to keep their best people.

There is a lot to be learned by studying the talent management practices of highly successful organizations. This is especially true when considering high performing organizations faced with an increasing diverse talent pool. As it turns out, in market economies, talented workers from diverse backgrounds have similar baseline needs that must be met by winning companies. Studies conducted by the Gallup organization indicate that there are clear satisfiers and dissatisfiers for employees across industries and demographic distinctions.

The satisfiers include:

- Getting to do what I do best
- Caring managers and supervisors
- Positive co-worker relationships
- Adequate resources to do my job
- Trust and treatment by upper management
- Opportunities to learn and grow
- Clear expectations about the work requirements
- Competitive compensation, reward, and recognition

The dissatisfiers include:

- Prejudice and discrimination for arbitrary reasons
- Poor career development opportunity
- Poor work environment or climate
- Low organizational savvy on the people issues
- Pressure to conform or assimilate

Business leaders, individual contributors and HR partners can work together to develop the appropriate education and developmental interventions that will be required to overcome the obstacles identified in the assessment data

Engagement Creates Better Performance

Companies that promote a culture that produces these satisfiers and eliminates the dissatisfiers produce better results. The following table displays the positive differential between companies that are effective at creating inclusion and companies that are not.

- **Customer satisfaction +39%**
- **Productivity +22%**
- **Profitability +27%**
- **Lower turnover -22%**

Source: Cumulative Gallup Workplace Studies

Organizations that are successful in leveraging the diversity of their people are better able to adapt to changes in the external environment. They are more innovative in anticipating and responding to these changes. Work by Harvard researcher, John Kotter in the early nineties demonstrated that so called "adaptive cultures" dramatically outperformed "non-adaptive" cultures across a variety of indicators.

Success Indicators	Adaptive Culture	Non-Adaptive Culture
Increase in revenues	682%	166%
Expanded workforce (growth)	282%	36%
Increased stock price/market valuation	90%	74%
Improved net-incomes	756%	1%

So What's A Company to Do?

- Organizations from all sectors of our economy will gain significant leverage on their commitments to performance by learning more about the impact of societal-level oppression on their policies, practices, and normative values. There are a wide range of assessment methodology (qualitative studies, quantitative surveys, as well as policy and practice audits) that can yield great insight into:

    - o Organizational culture and work environments and their relative impact on how people perform

    - o Leadership and its impact on organizational effectiveness and the quality of work-life experienced by employees

    - o Societal oppression and bias that undermines well-intended policies, practices, and human performance

- With good assessment data in hand, forward-thinking organizations can engage leaders and individual contributors throughout the organization to develop strategies and action plans to alleviate the stressors and dissatisfiers that reduce people's ability to bring their full selves to the job and contribute their best work.

- Business leaders, individual contributors and HR partners can work together to develop the appropriate education and developmental interventions that will be required to overcome the obstacles identified in the assessment data.

• Since business leaders are responsible and accountable for bottom-line business results, their individual and collective successes in dealing with the issues affecting employee performance is a key measure of leader effectiveness. Relative success or failure in this area should be appropriately reflected in how leaders are compensated.

• Making progress toward the goals identified by the assessments need to be monitored with both process and outcome measures.

Suggested Reading and Other Resources

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