



Business Case for Diversity & Inclusion

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SUMMARY

Scroll down to see the complete article

Why focus on diversity/inclusion

Beyond social and moral reasons and “doing the right thing,” there are several arguments why companies and organizations should embrace and integrate diversity and inclusion into their way of doing business. Below are a few reasons why having a diverse and inclusive workforce is critical to a successful business imperative:

- **Diversity initiatives have proven to have a direct impact on business revenues.** Successful businesses that understand the economic impact of changing demographics have developed products to fit the needs of a changing population.
- **Diversity initiatives and successful results help organizations in attracting high-caliber talent with diverse skills and perspectives.** These organizations realize that high-quality talent resides in all population groups, thus, attracting this talent improves the quality of the organization’s workforce and competitive advantage increasing the (ROI) for shareholders, investors and stakeholders.
- **Customer bases are more diverse than workforces.** Organizations whose workforce composition reflects their customer base allows those organizations to identify and understand their needs.
- **Varied perspectives increase your organization’s creativity and enrich organizations’ decision making.** Diverse and inclusive workforces offer different perspectives, ideas, solutions and product offerings that may generate new opportunities for the organization. Additionally, the variety of insights expressed helps leaders make informed and responsible decisions.
- **Consumer buying power of diverse groups is significantly increasing and will continue to do so.** Consumer purchasing behavior is influenced by an organization’s employment practices and sensitivity to their needs.
- **Census projections indicate that the minority population will exceed the majority population by 2050.** Acknowledge the changing demographic landscape that is positioning minorities as the majority in six out of eight of the largest metropolitan cities in the US today.
- **Building Effective Global Relationships.** Recognize that cultural competence is a critical management skill. Companies must integrate ethno-cultural diversity into its marketing, sales and customer service as they compete in a global arena.
- **Diversity ensures survivability.** Effectively managing a diverse workforce offers training opportunities and the ability to handle change more effectively by adapting to new situations and people who are different from us.



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The numbers matter!

Since the publication of the Workforce 2000 study, cost savings and winning the competition for talent are frequently cited as strong arguments for the pursuit of diversity initiatives. ***More recently, they have been supplemented with a third, even more forceful argument – the opportunity to drive business growth by leveraging the many facets of diversity.*** All three reasons surfaced as significant in a recent survey of Fortune 100 company human resources executives.

Following are both negative and positive bottom-line impact reasons for enhancing diversity:

Negative, especially related to cost savings:

- Higher Turnover Costs: Turnover among women and people of color is a significant and costly problem for many companies.
- Lawsuits on Sexual, Race and Age Discrimination: With employee sexual harassment complaints on the rise, the EEOC faces a backlog of 97,000 cases.

Positive:

- *Winning the Competition for Talent* means attracting, retaining, and promoting excellent employees from different demographic groups.
- *Driving Business Growth:* A powerful new impetus for managing diversity centers on driving business growth by leveraging opportunities associated with increased marketplace understanding, greater creativity, higher quality team problem-solving, improved leadership effectiveness, and better global relations.
- *Increasing Creativity and Innovation*
- *Producing Higher Quality Problem-solving*

The corporate world is acutely aware of the rapidly evolving U.S. demographics because business leaders increasingly understand that the prevalence of immigrants, people of color and non-traditional families represents an economic opportunity that will dominate their agendas for at least the next decade. Within their organizations, these leaders are spearheading mandates for multicultural workforces and emerging-markets strategies.

- ❖ Decisions to emphasize diversity is based on the numbers, which paint a clear picture of a country with increasingly **lucrative ethnic and multicultural populaces**, each with its own set of cultural nuances.
- ❖ The U.S. Census Bureau has been issuing a barrage of reports documenting the **shifting demographics**, highlighted by the fact that Latinos have increased their U.S presence by 58 percent over the last decade, now rivaling African Americans as the dominant minority population. In 2005, the Hispanic population was over 40 million (approximately 1/7th of the US population). By 2050, at the present population growth rates, they will be 40 to 50% of the US population. Whites are a majority in only 52 of the 100 biggest cities in the country today, and their number is decreasing quickly.
- ❖ More Latinos, African Americans and Asians are living and working in most major cities while the suburbs increasingly are becoming enclaves of affluent ethnic and immigrant groups. Simultaneously, **the buying power of African Americans, Latinos, Asian Americans and gays and lesbians is increasing**, dominating some markets and becoming the critical growth sector in many others.
- ❖ Above all else, corporations look for business competencies - strategies that bring in increased profits and metrics that prove the necessity to expand the emphasis on multiculturalism.
- ❖ Those strategies start in the workforce, with the **recruitment and retention of diverse employees**. Women and people of color will represent approximately 70 percent of new entrants to the U.S. workforce by 2008, but who will get the best and the brightest of them? Recruiting experts say the top candidates will work for companies that aggressively recruit now - through programs for multiethnic students, affiliations with multicultural organizations, and active campaigns on job sites aimed at diverse candidates.
- ❖ The **retention of multicultural employees** is another vital strategy, one of increasing concern to the nation's corporate leaders. Losing an employee costs about four times that worker's salary; losing a worker with ties to a multicultural community costs even more in terms of missed opportunity. Affinity groups, mentoring programs and work/life policies build employee loyalty and a growing commitment to the company's business goals.

- ❖ Corporate relationships with multicultural communities are strengthened through supplier-diversity contracts. **Companies with diverse supplier bases gain access to multicultural markets, leverage the flexibility of the small business, and often realize significant cost savings.** Again, the numbers bring home the reason for this business imperative. Companies owned by people of color and women are the fastest growing small-business segment, increasing 150 percent between 1992 and 1997, representing \$495 billion in revenue.
- ❖ **The multiethnic consumer pool, like the supplier-diversity sector, is expanding dramatically.** Consumer-buying power among people of color nearly doubled over the last decade, rising at a much faster rate than overall U.S. buying power, according to the Selig Center for Economic Growth at the University of Georgia. The collective buying power of African Americans, Asian Americans, Latinos and American Indians is expected to reach \$1.3 trillion by 2001 - up from \$647 billion in 1990 and significantly outpacing white buying power.
- ❖ The Business Case for Diversity presents the numbers. They tell the story of corporate America's biggest opportunity. **The influence of multicultural consumers is expanding in every industry. Automakers, retailers, banks, media and entertainment companies reach out to these customers more each day. Their bottom line increasingly reflects the success of those efforts.**

How can you measure the effectiveness of your diversity initiatives?

Diversity Matters uses two measurement tools. Go to our web site: www.Diversity-Matters.net, click on *measurement* to learn about *The Maturity Model & Discovering Diversity Profile*.

EXAMPLE

T.G.I. Friday's® Celebrates Diversity. Click on this website: <http://www.tgifridays.com/News/diversity.htm>

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