

The Business Case For Strategic Diversity

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“Diversity is a strategic opportunity, if we understand how the work force is changing and its impact on the labor pool and new markets, we will be better able to capitalize on opportunities.

BankBoston CEO Charles Gifford

THE COST FOR CREATING DIVERSITY INITIATIVES IS LOW COMPARED TO THE POTENTIAL GAINS IT OFFERS

Not responding to workplace realities far outweighs costs of implementing initiatives. Costs come in missed market and product opportunities, failed marketing attempts, inability to enter new markets, high turnover, and litigation.

But the proof of the impact of diversity initiatives is not the only argument for the business case. Dave Drury, CEO of Principal Financial, argues: “our senior management believes the business case is overwhelming. It is clear that to serve customers you must have employees who can work with them. It is a commitment, a strategic decision for both the short-and long-term. We are a practical, prudent and successful organization. We don’t do things just to feel good, but also always believed doing the right thing was good for business. Diversity is the right thing to do for customers, employees and the company.”

Most Compelling Arguments For Companies To Address Diversity

1. Increasingly diverse customers and markets

- Today, women spend 85% of the consumer dollar
- Older American now control 50% of all discretionary income and spend more than \$800 billion annually.
- African Americans, Hispanics and Asian American have an annual spending power of \$600 billion

An increasingly diverse customer base is looking for marketing, service and sales of products that suit their individual tastes, needs and style. If they don’t feel respected and listened to, they will take their business elsewhere.

Diversity initiatives have potential to enhance marketing strategies by bringing insights from a variety of cultures into an organization.

Diverse employees help companies tap into new and targeted markets. Some important learnings from these targeted markets have been the realization that not only “like-people” can market to certain groups. While companies are using their various identity groups to gain access to targeted markets, there are high performing individuals who have demonstrated tremendous success with people outside their own group.

A critical component to diversity is teaching people how to successfully work with people different from themselves. Companies are drawing upon their internal role models to help others learn.

2. A global economy

Provides a compelling business rationale from a variety of perspectives:

- Global markets represent billions in spending power
- Operations for multinationals require cultural sensitivity, understanding and awareness
- Countries have their own diversity related issues around race, gender and immigration
- The work force increasingly reflects a global labor pool

3. Need for increased productivity

Business leaders understand that productivity gains are contingent upon the full utilization of the work force. In organizations that value diversity, employees are more able to express creativity, contribute ideas and solutions, seek challenges and assume leadership.

“Productivity increases when employees perceive that they have full opportunity to achieve”. - Shirley Harrison, Director of Diversity at Phillip Morris.

4. Diverse Teams are More Effective

General Motors Corporation attributes the success of Saturn Corporation to diverse groups. At GM they link building diversity to building committed teams. Years of studies show that heterogeneous groups outperform homogeneous groups, over time, in better problem solving and more creative solutions.

5. Changing composition of the work force

Implications of the changing work force demographics:

- Internally-- having policies, procedures and environments that access, value, and utilize a diverse work force
- Externally -- it's about markets, communities, and even social concerns that impact business environments and economic viability. Increasingly, companies are becoming aware of their organizations within an economic ecosystem connected locally, domestically, and to the world.

5. Diversity is needed in top management

The glass-ceiling barrier prevents the full utilization of employees, creates boundaries and prevents valuable input to decision-making where it counts, at the top. Good decisions require different perspectives.

“Whereas the strength of many of our nation’s competitors is their homogeneity, it is America’s diversity that represents both its biggest crisis and its greatest opportunity.”

Lente Louise Louw, co-author of Valuing Diversity: New Tools for a New Reality