The Business Case for Diversity & Inclusion

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Agenda

- The Community Opportunity
- The Business Data Supporting Inclusion
- Why Businesses Embrace Diversity
- Community Best Practices

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The Value Of Inclusion?

The Problem With Business Case

- Can prove what I want proved
- Leans toward my cultural inclinations
- Seen as factual but is always a mix of art and science
- Requires a leap of faith

"I believe"

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Inclusion as a Community Opportunity?

- Support a thriving business environment
- Sustain and enhance the quality of life of residences
- Sustain and enhance community as a high quality place for outside investment
- Enhance reputation
- Increase ability to attract talent to the region
  - Especially young talent

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Community Opportunity?

Stuck in old paradigms of economic development, cities struggled in the 1980s and 1990s to become the next "Silicon Somewhere" ….Yet they lost members of the creative class, and their economic dynamism, to places more tolerant, diverse, and open to creativity.

Richard Florida,
The Rise of the Creative Class

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What the data says

THE IMPACT OF EMBRACING DIVERSITY ON BUSINESS OUTCOMES

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Inclusion as a Business Opportunity?

- Reduced costs associated with turnover, absenteeism and low productivity
- Greater/new market share (locally and globally) with an expanded diverse customer base
- Increased sales and profits
- Mitigated and minimized legal risks

Source: Lockwood, N., June 2005, "Workplace Diversity: Leveraging the Power of Difference for Competitive Advantage", Research Quarterly. Society for Human Resource Management: www.shrm.org/hrresources

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1. Reduced Employee Costs

Turnover, Absenteeism, Low Productivity

When an employee perceives that a company and its leadership are committed to a diverse and inclusive workplace, they are:

- More likely to stay with that company
- More likely to recommend their company to others
- Less likely to have experienced discrimination
- Less likely to have missed days at work
- More engaged in their work

Source: *Gallup Organization, "Civil Rights in the Workplace Survey," 2005* in SHRM, 2008

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1. Reduced Employee Cost

Turnover, Absenteeism, Low Productivity

- Each year, more than **2 million** people voluntarily leave organizations due to perceived unfairness (cumulative comments/jokes, unfair policies, perceived invisibility)
- This trend costs U.S. corporations **$64 billion** each year
- This figure is nearly equivalent to the combined revenues of Google, Goldman Sachs, Starbucks and Amazon.com, and *does not* include costs associated with litigation or loss of reputation

Source: *Level Playing Field Institute, "The Corporate Leavers Survey, " 2007, LPFI.org* in SHRM, 2008

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2. Greater/New Market Share

- Improved customer service and targeted outreach to diverse consumers a compelling business opportunity.
  - **Latinas/Latinos**' buying power has increased from $211.9 billion in 1990 to $978.4 billion in 2009 and is projected to climb to **$1.3 trillion in 2014.**
  - **African-Americans'** buying power has increased from $318.1 billion in 1990 to $910.4 billion in 2009 and is projected to climb to **$1.1 trillion in 2014.**
  - According to one study, the total spending of **gay, lesbian, and transgender** individuals was **$712 billion in 2008.**

Source: Source(s)Catalyst. Com , "The multicultural economy 2009, "Gay Buying Power Projected at $712 Billion in 2008

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2. Greater/New Market Share

- **Native Americans'** buying power has increased from $19.7 billion in 1990 to $64.7 billion in 2009 and is projected to climb to **$82.7 billion in 2014.**
- **Asian-Americans'** buying power has increased from $116.5 billion in 1990 to $508.6 billion in 2009 and is projected to climb to **$696.5 billion in 2014.**

Source: SHRM, 2008

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3. Increased Sales and Profits

Better Performance?

- 10-year period
- *DiversityInc*'s Top 50 Companies
- Outperformed the:
  - NASDAQ by 28%
  - Standard & Poor's 500 by 25%
  - Dow Jones Industrial Average by 22%

Source: – *DeGroat, TJ, No Way to Measure Diversity's Value? Mainstream Article Ignores the Hard Facts, DiversityInc.com*
http://www.diversityinc.com/public/19452.cfm
in SHRM, 2008

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3. Increased Sales and Profits

A Predictor of Success

"Workplace diversity is among the most important predictors of a business, sales revenue, customer numbers and profitability."

American Sociological Review, April 2009

Source: Cedric Herring. Does Diversity Pay? Race, Gender, and the Business Case for Diversity. *American Sociological Review*, April 2009

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3. Increased Sales and Profits

A Predictor of Success

- Companies with the highest rates of racial diversity brought in nearly **15 times more sales revenue** on average than those with the lowest levels
- Gender diversity accounted for a difference of **$599.1 million in average sales revenue**:
  - Lowest gender diversity avg. = $45.2 million, highest gender diversity = $644.3 million
- For every percentage increase in the rate of racial or gender diversity up to the rate represented in the relevant population, there was an **increase in sales revenues of approximately 9 and 3 percent**, respectively

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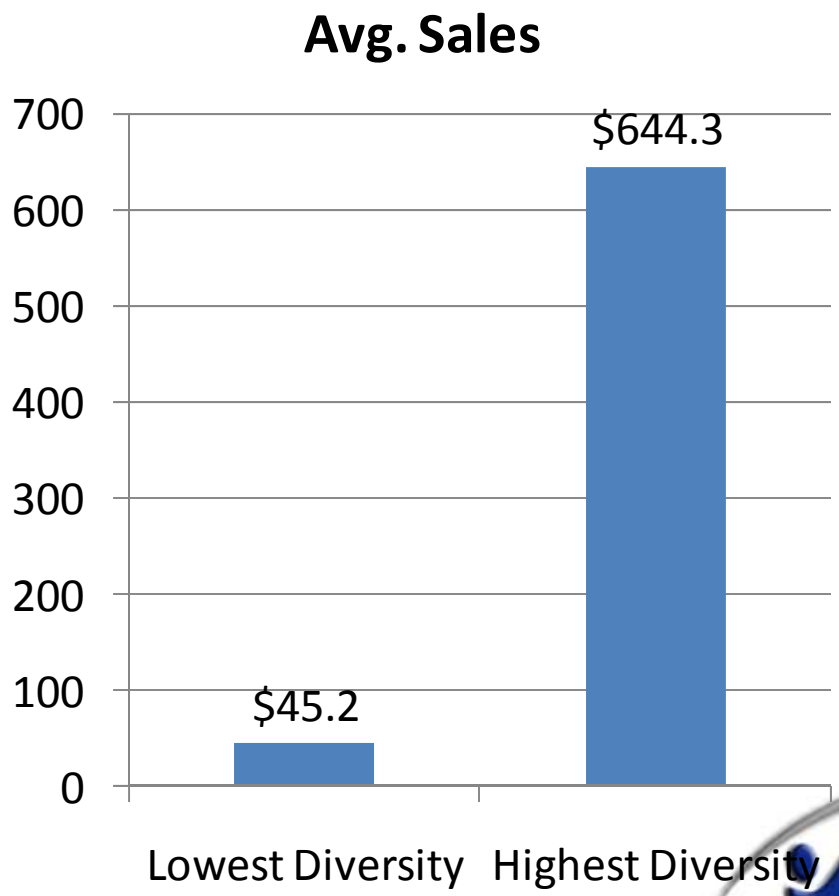

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4. Mitigated & Minimized Legal Risk

- Race and gender discrimination lawsuits cost
  - Over the past 10 years
  - Cost U.S. corporations $2.3 billion in settlements alone
  - Not including attorney fees, decreased market capitalization and other costs
- In 2007
  - 17,734 disability discrimination charge filings
  - 2,880 religion-based discrimination charge filings

Source: *U.S. Equal Employment Opportunity Commission; http://www.eeoc.gov/*in SHRM, 2008

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What business leaders say

WHY DO BUSINESSES EMBRACE DIVERSITY?

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Why Businesses Embrace Diversity

Market →

The diversity of our customers/clients/consumers is increasing rapidly. They have a growing *expectation* that we will <u>understand</u> and <u>respond</u> to these cultural differences in products and services.

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Why Businesses Embrace Diversity

Talent → Our "war for talent" makes attracting and retaining a diverse, high quality workforce critical.

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Why Businesses Embrace Diversity

Values → Our behaviors in the workplace must be inclusive and aligned with our corporate values.

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Why Businesses Embrace Diversity

Goodwill → Our positive public image and relationship with the community are critical to our future growth, profitability and overall viability.

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Why Businesses Embrace Diversity

Innovation → Leveraging our diversity to develop breakthrough solutions to customer service, distribution and operational challenges is a key to establishing intimate, highly profitable and rewarding customer relationships.

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Why Businesses Embrace Diversity

Market

Talent

Values

Goodwill

Innovation

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It is about practices not programs

WHAT ARE BEST PRACTICES IN DIVERSITY & INCLUSION

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The Three Faces of Inclusion

How it Looks

How it feels

How it is

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Community Best Practices

Reviewing Programs

- Grand Rapids, MI
- Lynchburg, VA
- Montgomery, AL
- Sioux Falls, SD
- Syracuse, NY
- Hopkinsville, KY
- Jacksonville, FL
- Montgomery County, MD
- New Haven, CT
- South Sacramento, CA
- Stratford, CT
- Waterloo, IA
- Seattle, WA
- Cincinnati, OH
- Phoenix, AZ

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Community Best Practices

1. Strategic outreach and collaboration with employers/businesses, community organizations and residents
2. Opportunities for broad and diverse community engagement in the planning and design of programs/initiatives
3. Commitment to engaging long-term, it is a journey
4. A sense of ownership among community leaders

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Community Best Practices

5. On-going exposure and dialogue with diverse groups
6. A support infrastructure to maintain momentum
7. Activity to fit a communities specific situation
   - Phase on continuum
   - Size, demographics, opportunities, etc.
8. Meaningful metrics
   - Activity and outcome metrics

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The Basics of "How-to"

A Community Approach

- Actually be *for* inclusion
- Plan for it to happen
  - Purpose, goals, strategies, processes
- Allocate talent and resources
- Measure progress
- Improve
- Repeat

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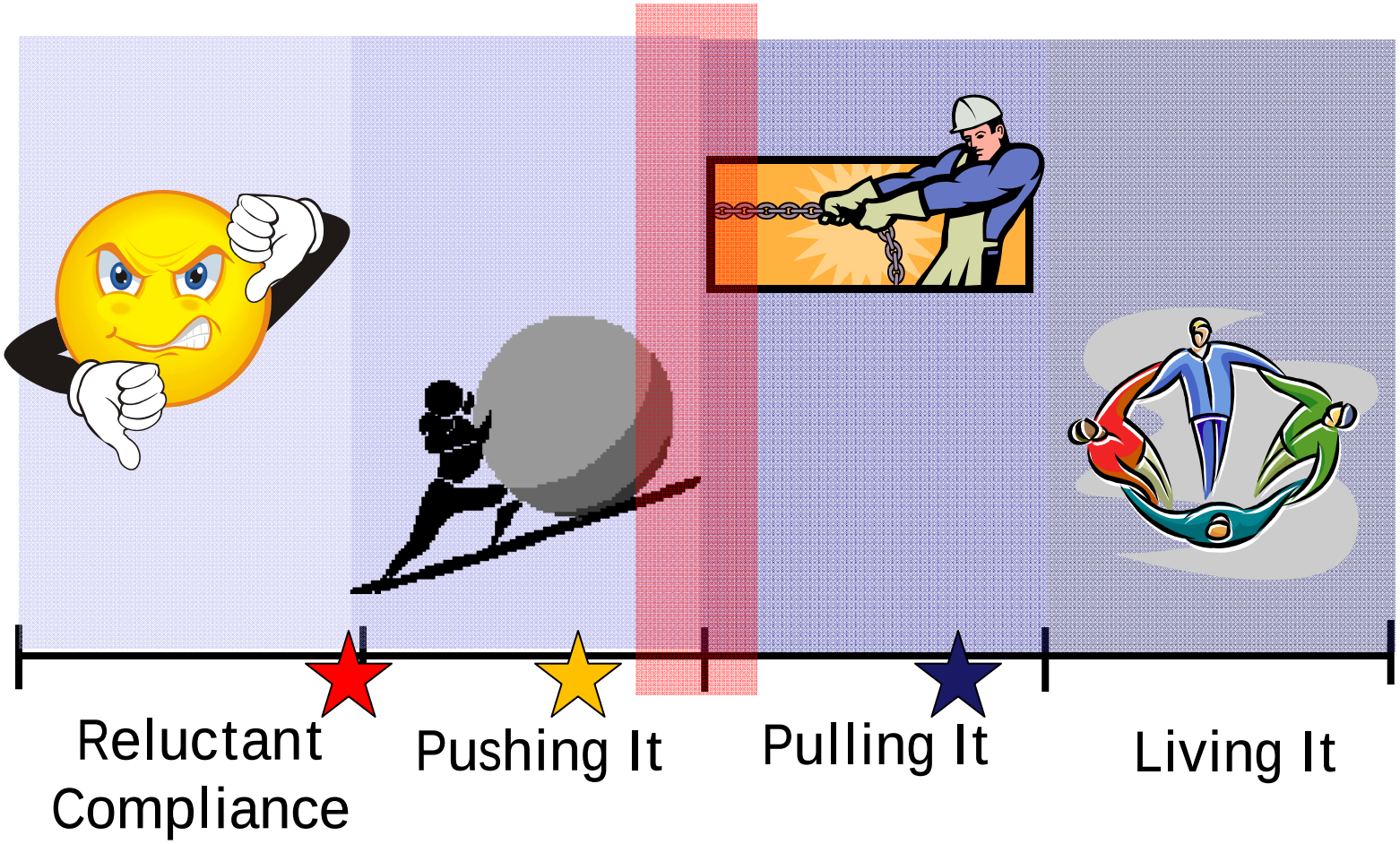
Approaches to Embracing Diversity



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A SAMPLING OF EFFECTIVE DIVERSITY INITIATIVES

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Effective Diversity Practices: MARKET

ORGANIZATION	Ford
PROGRAMS & ACTIVITIES	• **Target Women and People of Color** - Leverage Employee Resource Groups to reach new customers and created the "Friends and Neighbors" program
IMPACT & RESULTS	• The **Employee Resource Groups** used relationships with their communities to reach customers • In 2004 employees were responsible for $100 million in vehicle sales through referrals • Since 2003 (and before the financial crisis of recent months), the total sales of these groups has been $260 million

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Effective Diversity Practices: TALENT

ORGANIZATION	Marriott
PROGRAMS & ACTIVITIES	• Three regional diversity councils drive the corporate diversity efforts with strategic partnerships, targeted recruitment campaigns, mentoring, internships, conferences and other outreach to diverse communities • Launched Sed de Saber, an English-learning device that teaches English to Spanish speaking employees
IMPACT & RESULTS	• 6 out of 10 employees are either a minority or a woman • DiversityInc stated that "Marriot has been on the Top 50 for 6 of the last 7 years. The company is particularly strong in CEO commitment and Corporate Communications" (June 2007) • Marriott reported more than 400 minority and woman-owned hotels; $478 million spent with diverse suppliers; and an all-time high in diverse appointments to management positions • Invited by the U.S. President to share the success of the Sed de Saber program (2007)

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Effective Diversity Practices: VALUES

ORGANIZATION	Grand Rapids Area Chamber of Commerce
PROGRAMS & ACTIVITIES	• Through its Diversity Division, the Chamber offers extensive diversity and cultural workplace training and programs • Its flagship program is the Institute for Healing Racism (IHR) - a 10-week reflective learning program that aims to help local business and community leaders understand and eradicate racism, grow creativity and tolerance, and compete for talent globally
IMPACT & RESULTS	• Educated more than 1,800 people about what racism is and how it exists today • Has had significant impact on companies' strategic plans, recruiting and retention, purchasing practices, and in general engagement around becoming a more inclusive professional community (feedback provided by employers whose employees have attended the Chamber's diversity offerings) • Support and sustain the thriving diverse populations in the Grand Rapids region (i.e., Hispanic population grew by 175% in the past 10 years; African Americans own over 1,200 businesses in Western Michigan; and Asian American residents have one of the highest rates of educational attainment in the region)

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Effective Diversity Practices: GOODWILL

ORGANIZATION	MONTGOMERY AREA CHAMBER OF COMMERCE
PROGRAMS & ACTIVITIES	• Hosts several events in support of diversity: • The "Diversity Summit" is a day-long event that offers executives, human resources professionals, and community leaders an opportunity to have a conversation about workplace diversity, inclusion, and engagement • "Emerge Montgomery" is the young professionals' component of the Chamber's Leadership Montgomery program. It focuses on dissolving racial barriers while cultivating future leaders • The "Women's in Business Forum" offers sessions and seminars over coffee and lunch to provide mentorship and networking opportunities for women in large corporations and small firms
IMPACT & RESULTS	• Serve as a model example for other Chambers of Commerce • Support the emerging and current leaders in staying, engaging, and investing in Montgomery • Sustain community's diversity and inclusion commitment through ongoing strategic and measurable initiatives

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Effective Diversity Practices: INNOVATION

ORGANIZATION	PEPSICO
PROGRAMS & ACTIVITIES	• Innovative Products to Target Ethnic Consumers – The company leveraged their Latino employee network and African American employee network to ensure taste and packaging was pleasing to Latino consumers and African American consumers
IMPACT & RESULTS	• New products include: Guacamole Doritos, Guacamole Lays, Gatorade Xtremo, Mountain Dew Code Red – These products have "ethnic flavor with mainstream appeal" • Produced more than $250 million in 2003 and continue to be strong sellers

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