



SHRMTM

SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

The Business Case: Why Diversity and Inclusion are Good for Business

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Definition of Workplace Diversity

The collective mixture of differences and similarities that includes for example, individual and organizational characteristics, values, beliefs, experiences, backgrounds, preferences, and behaviors. A few examples include:



Inclusion is



.... the achievement of a work environment in which all individuals are treated fairly and respectfully; have equal access to opportunities and resources; and can contribute fully toward an organization's success.

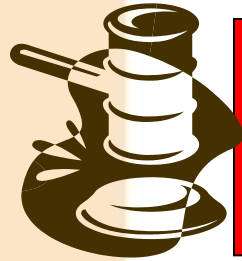
Diversity is the mix

Inclusion is getting the mix to work well together

Source: Andres Tapia, "The Inclusion Paradox"

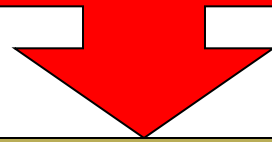
Why Focus on Diversity

- There are three reasons why an organization might/ should focus on Diversity.
- All of these are important and necessary; they do not contradict each other, but rather complement each other.



Compliance Case

"Diversity is something we're forced to do ... by law."



Values Case

"Diversity is the right thing to do ... for our people."



Business Case

"Diversity is the smart thing to do ... for our business."



There is a compelling business case for D & I work

1. Demographic shifts in U.S. population
2. Attracting and retaining the best talent
3. Job satisfaction and reducing costs associated with turnover, absenteeism and low productivity/employee engagement
4. Changing consumer, client, and customer marketplace
5. Contributes to company performance
6. Mitigates and minimizes legal risks

Why Focus on D & I: U.S. Workforce Demographics

The New Entrants to the Workforce

- Women
- Latinos/Hispanics
- Asians
- African Americans
- American Indians
- People with Disabilities
- Gay/Lesbian/Bi-sexual/Transgender
- Veterans
- Generation X, Y, Sandwich Gen.
- Baby Boomers (2nd Careers)
- Single Parents/Heads of Households
- College Educated
- Immigrants
- Less experienced



Why Focus on D & I: Workforce Demographics

- ❑ Currently, 75% of the new entrants to the workforce are women and people of color.
- ❑ Changing family patterns in the United States (single parents, dual income households, growth in elder care & child care) will bring new challenges.
- ❑ There are 76.9 million Baby Boomers in the workforce. Accounts for more than 50% of the workforce.
- ❑ For the first time, the number of workers entering the workforce will not replace the skills that will be exiting, thus resulting in a skills shortage.
- ❑ By 2050 Asians, Hispanics, African Americans and American Indians to account for 47.2% of the population.
- ❑ By 2012, the Hispanic labor force is expected to reach 23.8 million.

Source: Bureau of Labor Statistics and Census Data 2004; CamMasten Communications

Changing Workforce Demographics

- 10% of the workforce is gay or lesbian.
- It is estimated that 1 in 3 people has a disability.
- Increase in religious diversity
- Growth in number of employees whom English is a second language
- More than 12 percent of U.S. population is foreign-born; record increases since 2000
- By 2013, Gen Y will represent the largest percentage of the U.S. workforce
 - By 2016 it will be bigger than all other age groups combined.
- Baby boomers want/need to work longer



Changing Demographics: A New Workforce

Workforce 2000

The workforce will grow more slowly than at any time since the 1930s

The proportion of women and minorities in the workforce will rise dramatically

The average age of the workforce will rise, and the pool of young workers entering the labor market will shrink

The workforce is aging and thus becoming less willing to relocate, retrain or change occupations, yet the economy is demanding more flexibility

Immigrants will represent the largest share of the increase in the workforce since World War I

Workforce 2020

Workforce planning will become more uncertain as retirement ages become increasingly less predictable

The proportion of women in the workforce will have gradually increased to about 50%*

The presence of top-level older employees may cause dissension among their middle-aged subordinates eager for promotion

Older workers will need different benefits, such as elder care programs

The U.S. population and workforce will gradually become more ethnically diverse

Changing Demographics: A New Workforce

Workforce 2000

Need to recognize the importance of a flexible workforce through company and national policies

(e.g., flexible workforce programs, revised pension systems, promotion of retraining and lifelong learning).

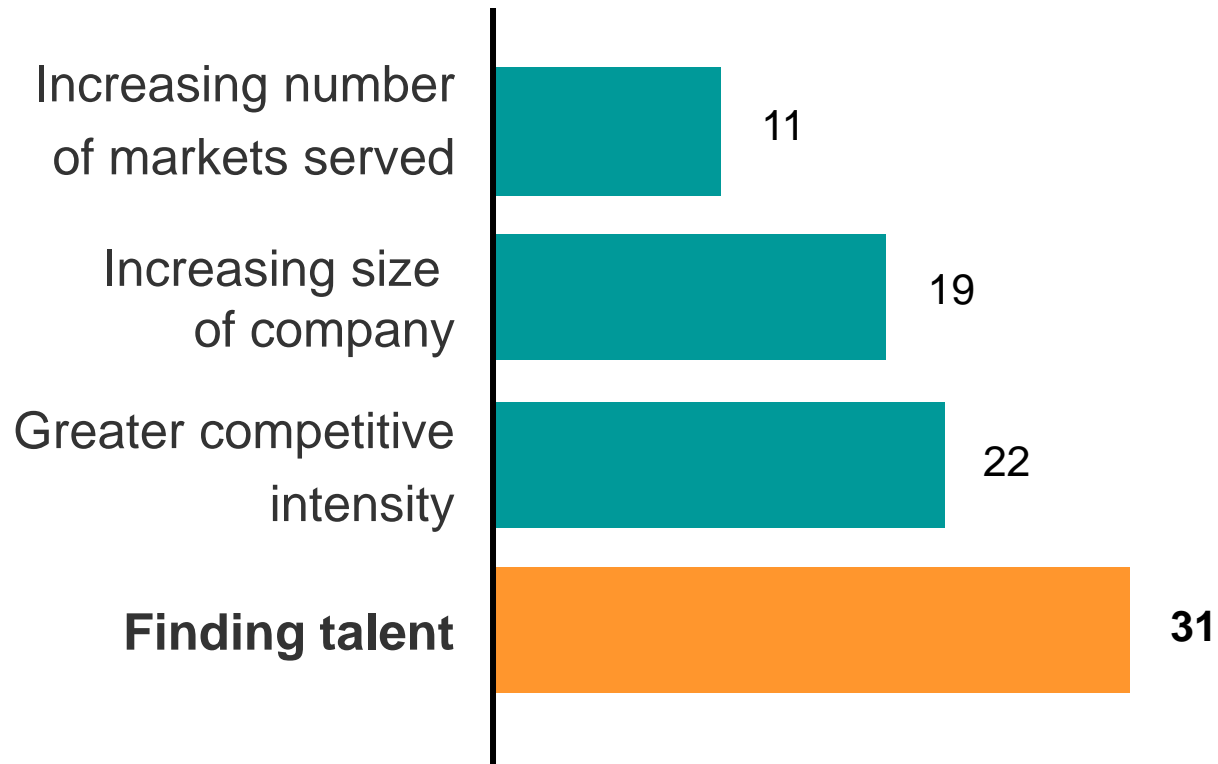
Workforce 2020

To increase workforce participation, firms and governments will need to accommodate unconventional working arrangements to encourage people to return or remain in the workforce

(e.g., parents, older workers)

What is the most important management challenge facing business executives in the next 5 years?

Finding GREAT talent is seen as the most important management challenge facing business executives in the next 5 years



Source: McKinsey & Company, 2008

Attracting and Retaining Best Talent

- Building leadership capability starts with creating a culture that makes employees want to stay.
 - > Ensuring that all employees have full and equal access to opportunities
- Implementing leading-edge talent management programs should include:
 - > Mentoring
 - > Cross-functional development assignments
 - > Job rotations
 - > Special assignments
 - > Career pathing
 - > Skills inventories
 - > Succession planning
 - 55% of employers are already doing succession planning

- The workforce/place continues to change demographically (dual income households, aging population, multiple generations, social responsibility/sustainability, etc.)
- Organizations need to be able to flex and adapt in times of increasing complexity and change including:
 - > Technological advances
 - > Increasing global competition
 - > Products/Services
 - > Diverse customers

How many people voluntarily leave organizations due to perceived unfairness (cumulative comments/jokes, unfair policies, perceived invisibility) each year?

Why Focus on D & I: Job Satisfaction...

- 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. corporation **\$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

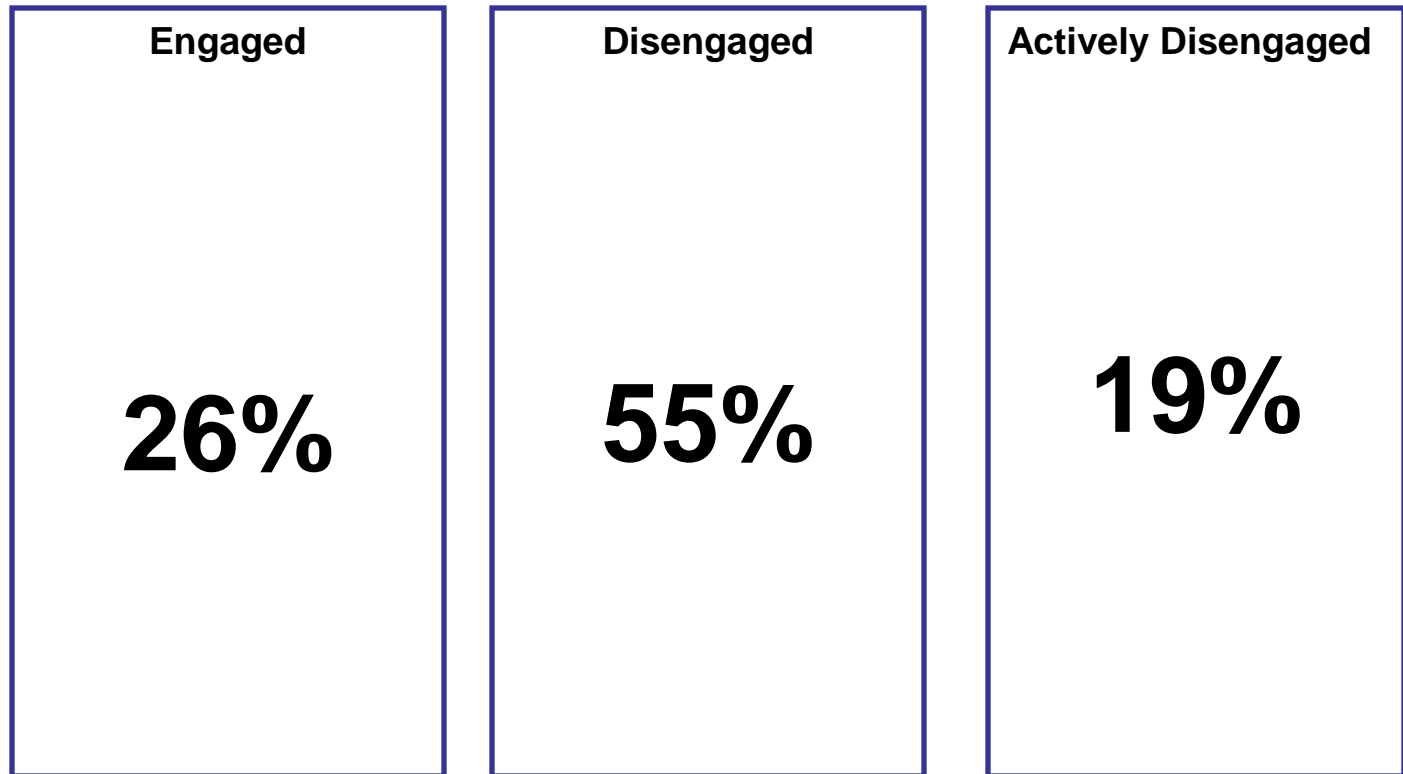
Source: Level Playing Field Institute, "The Corporate Leavers Survey," 2007, LPFI.org

When an employee perceives that a company and its leadership are committed to a diverse and fair 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

Why Focus on D & I: Employee Engagement

In a 2006 Gallup Management Survey on Employee Engagement, they found:



.....costing the U.S. economy \$328 billion

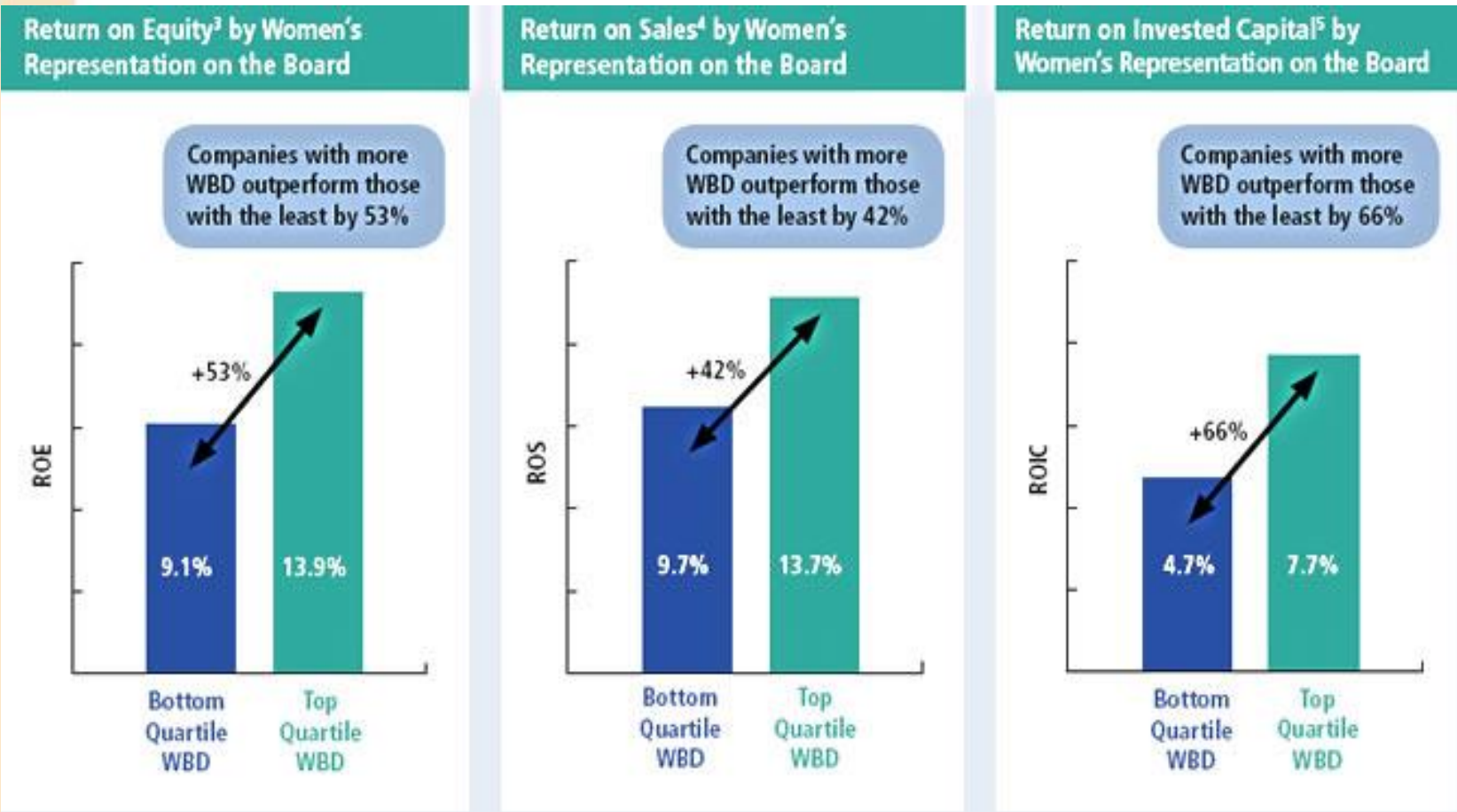
Why Focus on D & I: Contributes to Company Performance

- A 2009 study by CalPERS found that companies with a high ratio of diverse board seats **exceeded** Dow Jones average returns.
- Each of the selected companies had an **executive responsible** for diversity initiatives.
- Women make up **more than half** of the U.S. population but hold only **17 percent** of Fortune 100 corporate board seats.
- These big companies may be missing out on a key tool for competitive advantage



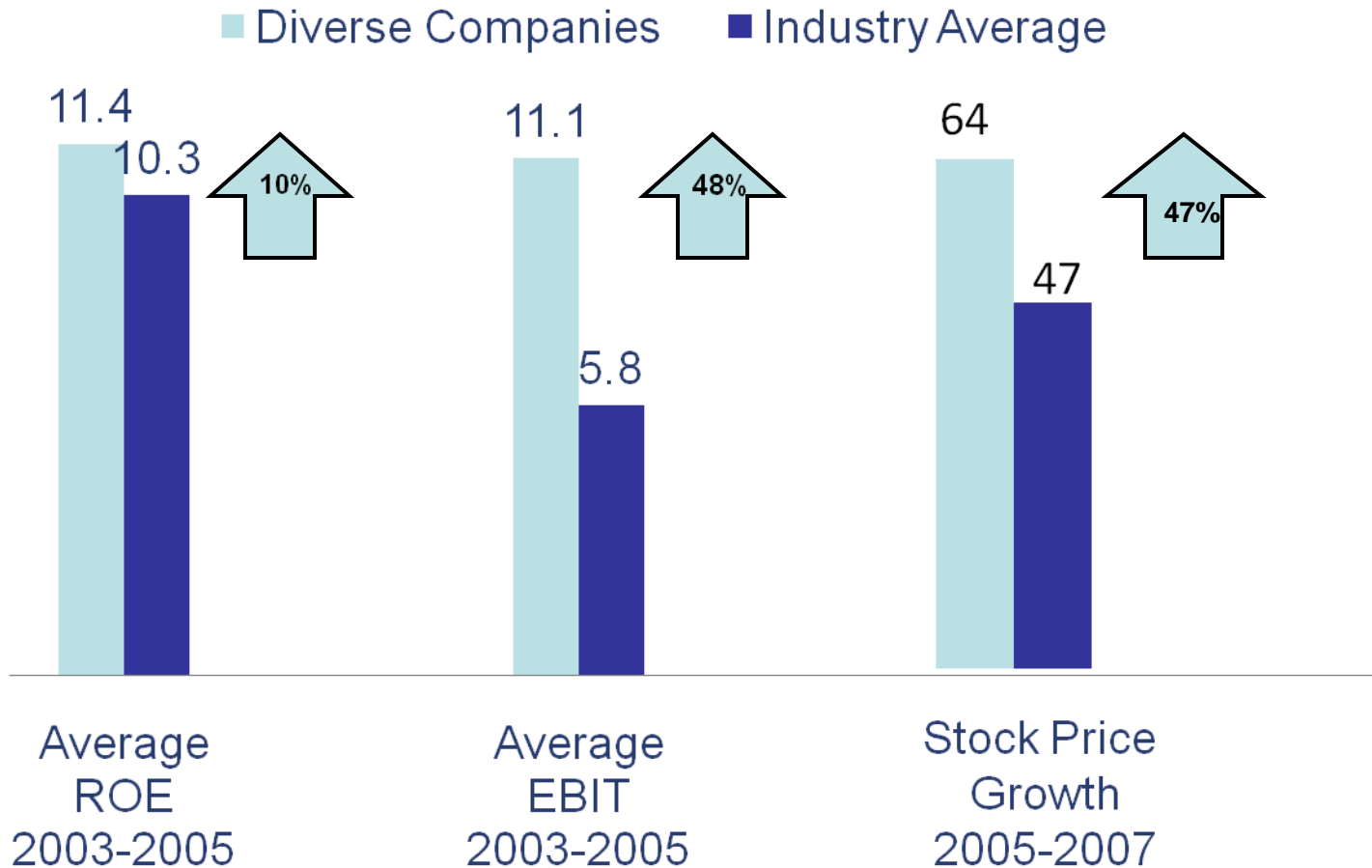
Source: 2009 Public Employees' Retirement System Board Diversification Strategy: Realizing Competitive Advantage and Shareowner Value

Higher female representation on Board = Higher returns



Source: 2007 *The Bottom Line: Corporate Performance and Women's Representation on Boards*, Catalyst

Higher female representation at top = Higher returns in Europe



Source: McKinsey & Co. 2007 *Women Matter: Gender Diversity, Company Performance Driver*

Customer acquisition and improved service may be the most compelling and least leveraged business case of them all. Consider the following:

- **Women**
 - > Today, women control _____ dollars, or ____% of the country's wealth.
 - > 60% of U.S. and European university graduates are women.
 - > 80% of consumer goods purchasing decisions made by women in North America.
- **African-American market**
 - > Estimated _____ in buying power in 2007, growing by **127%** between 1990 and 2003
- **Hispanic/Latino market**
 - > Purchasing power in the U.S. is _____ and projected to reach _____ by _____
- **Asian American market**
 - > Buying power is estimated at _____

U.S. Census Bureau, Business Week, and Selig Center for Economic Growth, University of Georgia

Customer acquisition and improved service may be the most compelling and least leveraged business case of them all. Consider the following:

- **Women**
 - > Today, women control **\$1 trillion dollars**, or **60%** of the country's wealth.
 - > 60% of U.S. and European university graduates are women.
 - > 80% of consumer goods purchasing decisions made by women in North America.
- **African-American market**
 - > Estimated **\$845 billion** in buying power in 2007, growing by **166%** between 1990 and 2007.
- **Hispanic/Latino market**
 - > Purchasing power in the U.S. was **\$862 billion in 2007** and projected to reach **\$1.2 trillion by 2012.**
- **Asian American market**
 - > Buying power is estimated at **over \$400 billion.**

U.S. Census Bureau, Business Week, and Selig Center for Economic Growth, University of Georgia

- **Native American market**
 - > **\$48 billion** in discretionary spending power
- **People with Disabilities**
 - > **\$220 billion** in discretionary spending power
- **GLBT market**
 - > Total buying power of the U.S. gay, lesbian, bisexual and transgender adult population is estimated to be **\$641 billion (by 2010 \$750 billion)**.
- **Traditionalist/Baby Boomer market**
 - > \$1.7 Trillion in buying power

U.S. Census Bureau, Business Week, and Selig Center for Economic Growth, University of Georgia

Why Focus on D & I: Mitigating and Minimizing Legal Risks

More than \$335 million settled in discrimination lawsuits in 2008* alone

- 33,937 charges of race discrimination received; resolved 28,321 race charges; and recovered **\$79.3 million**.
- 28,372 charges of sex-based discrimination received; resolved 24,018 sex discrimination charges; and recovered **\$109.3 million**.
- 24,582 charges of age discrimination received; resolved 21,415 age discrimination charges; and recovered **\$82.8 million**.
- 19,453 charges of disability discrimination received; resolved 15,708 disability discrimination charges; and recovered **\$57.2 million**.
- 3,273 charges of religious discrimination received; resolved 2,727 religious discrimination charges; and recovered **\$7.5 million**.
- **Jackson Lewis, LLP estimates that 102,000 charges will be filed in 2010 (a record).**

** Doesn't include religion. Also doesn't include penalties, legal fees, or costs associated with reputational damage
Source: U.S. Equal Employment Opportunity Commission; <http://www.eeoc.gov/>*

In closing ...

- Never has the business case for Diversity & Inclusion been more important than now given these times of economic, global, and marketplace shifts.
- There is clear and compelling data on why Diversity and Inclusion are good for business.
- Diversity & Inclusion, when managed well, will position your organization for competitive advantage (in attracting great talent/customers and retaining them, increasing innovation, and contributing to your organization's bottom line).

Thank you!

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SHRM's Office of Diversity and Inclusion
<http://www.shrm.org/diversity>

Questions/Answers

