



Strengthening American Businesses and Our Economy Through Racial Equity

A report by:  **AMERICA'S EDGE**
Strengthening Businesses Through Proven Investments in Kids

Strengthening American Businesses and Our Economy Through Racial Equity

The Need for a Skilled, Diverse Workforce: As business leaders, we know from experience and the best research that diversity is a key strategy to increase innovation and productivity, help attract top talent, and increase sales and profits.

A survey of more than 300 senior executives by Forbes Insights found among companies with more than \$10 billion in annual revenues, 56 percent strongly agreed that diversity helps drive innovation. Frédéric Rozé, the Chief Executive Officer of L'Oréal USA, said, "Diversity fosters creativity. We need to generate the best ideas from our people in all levels of the company and incorporate them into our business practices."¹

Rosalind Hudnell, Director of Global Diversity and Inclusion at chip maker Intel, agreed. "Because of our diverse workforce, we've experienced a boost in productivity. When you can move people to contribute to their fullest, it has a tremendous impact."²

Increasingly, businesses are designing diversity and inclusion policies that will broaden their pool of prospective recruits for their company. There is a clear business motive to do so: Research by Professor Cedric Herring at the University of Illinois' Institute of Government and Public Affairs found that businesses with greater racial diversity have higher sales revenue, more customers, greater market share, and greater relative profits compared with firms with a more homogeneous makeup. Furthermore, a study by the *Society of Management of Accountants* found there is even a causal relationship between diversity in the workplace and reduced absenteeism and turnover and increased commitment to the organization. "At the end of the day, when you're creating an environment where people can come together and bring their own views and feel respected, competitively, your company will

do so much better," added Debbie Storey, Senior Vice President of Talent and Development and Chief Diversity Officer at AT&T.⁶

The data tells the story of why businesses that want to be successful in the future are committing to diversity. According to the 2011 Census, there are more than 114 million people of

"We couldn't have gone through all of the mergers and acquisitions and continue to be successful without having a diverse workforce. It's important to our business strategy and it makes us more innovative and competitive."

Debbie Storey

Senior Vice President of Talent Development and Chief Diversity Officer, AT&T

color in America – a growing percentage of both the workforce and consumers. The combined buying power of people of color in the U.S. grew from \$451 billion in 1990 to \$1.6 trillion in 2010, and is projected to be \$2.3 trillion by 2015. A diverse workforce helps businesses understand different cultures and create new products and services that will be popular around the world.

According to a year-long study by McKinsey & Company, the most important corporate asset will not be our companies' technology or our plant infrastructures. It will be our human capital: Smart, sophisticated business people who are technologically literate, globally astute, and operationally agile. The search for the best and the brightest will become a constant, costly battle. Not only will companies have to devise more imaginative hiring practices, we will also have to work harder to keep our best people.

To successfully create a diverse/inclusive environment, responsibility must rest with senior management. Seven out of 10 companies in the Forbes Insight survey said "the buck stops" at the CEO level and their board of directors. As business leaders, we recognize that dismantling the obstacles that create



racial inequities in our nation is very challenging. At the same time, however, there is recognition that a diverse and inclusive workforce is critical for future success.

A Diverse Workforce Attracts the Top Talent

In the fight for global talent, diversity and inclusion policies are being designed by many businesses as recruiting and retention tools, helping to broaden the pool of talent from which a company can recruit, while also helping to build an employment brand that is seen as fully inclusive. “If you want to attract the best talent, you need to be reflective of the talent in that market,” said Eileen Taylor, Deutsche Bank’s Global Head of Diversity.⁷

Data from annual research by *The New York Times* show that the top five reasons that people join companies are very similar for all candidates: people want an excellent company with fair compensation, ample career development opportunities, and work/personal life balance. But diverse candidates also want to work for a companies that have people like themselves in leadership and management positions. This becomes a key reason why candidates make the decision to join a company.⁸ A recent study by Towers Perrin, a professional services firm specializing in human resources and financial services consulting, shows that a company’s talent practices and reputation as a “good employer” directly influence a person’s decision to join and stay with a company.⁹

Companies like AT&T and Mattel enlist employee groups as company ambassadors who reach out to talent by attending

external job fairs, conferences and community events. “The more [the employee groups] reach out to the public, the more it will help fill our talent pipeline,” said Huey Wilson, Mattel’s Vice President of Human Resources, Worldwide Operations.¹⁰ Other strategies used by companies such as Intel and Credit Suisse include forging long-standing relationships with universities to tap into talent.¹¹

Harnessing Employees’ Diverse Perspectives for Innovation

At cosmetics giant L’Oréal, diversity and inclusion is so central to their work that they have a formula for diversity management: DIVERSITY + INCLUSION = INNOVATION AND SUCCESS®. The formula is a key part of their recruitment, sales, and community outreach. “The recruitment of diverse talent for our organization is critical to our ability to build our business and drive future growth,” said Sumita Banerjee, Vice President, Talent Recruitment at L’Oréal USA. “The diversity of thought, industry, and multi-market backgrounds of the candidates that we recruit directly impact our ability to innovate and give us a foundation upon which we are able to help to achieve our business goal of reaching a billion new consumers in the next 10 years,” according to Banerjee.

Diversity Increases Sales, Market Share, and Profits

Herring, the professor of sociology and public policy at the University of Illinois, found that businesses with greater racial diversity are more successful. His study examined data from the National Organizations Survey, a national sample of for-profit business organizations, and found that:

- Companies reporting the highest levels of racial diversity brought in nearly 15 times more sales revenue on average than those with the lowest levels of racial diversity.
- 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 nine and three percent, respectively. In fact, Herring found racial diversity to be a better determinant of sales revenue and customer numbers than company size, the company's age and the number of employees at any given work location.
- Companies with a more diverse workforce consistently reported higher customer numbers than those organizations with less diversity among staff. In terms of racial diversity, companies with the highest rates reported an average of 35,000 customers compared to 22,700 average customers among those companies with the lowest rates of racial diversity.

Eileen Taylor, Global Head of Diversity, Deutsche Bank, "We are in 75 countries and we want to hire the best talent in each locale. Diverse teams and companies make better decisions."¹²

Diversity Improves Businesses' Ability to Compete in World Markets

With 95 percent of the world's population existing outside of the U.S., businesses' success is directly tied to a global marketplace.

A diverse workforce helps business understand different cultures and create new products and services.

Companies such as AT&T, Mattel, Intel, and others established diverse employee groups that provide valuable insight into the markets they reflect. According to Huey Wilson at Mattel, these employee groups have saved the company from making some embarrassing and potentially costly mistakes. "There have been some big near misses that we might not have avoided without" these employee groups, he said.¹⁶

"Diverse teams and companies make better decisions. And in the aftermath of the financial crisis, diversity is even more of a priority," said Deutsche Bank's Taylor.

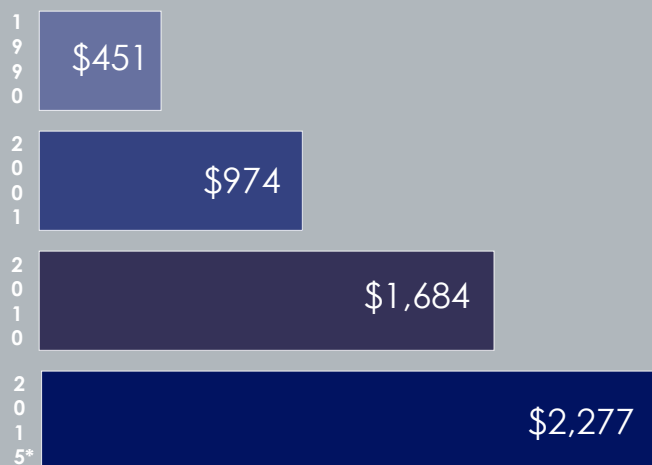
L'Oréal USA's Rozé agreed. "While we work hard to retain our current consumers, the potential for adding new consumers is in the emerging markets. And diversity is key in this, whether we're trying to reach men, women of different ages, or women of different ethnicities."¹⁷

American Business Need Workers with Increased Education and Skills Levels

The workforce of the future will require increasing education and skill levels. Job growth is skewed toward jobs that are either highly skilled (bachelor's degree or above) or medium-skilled (associate's degree, vocational degree or professional accreditation).¹⁸ Between 1973 and 2008, the share of jobs in the U.S. that required postsecondary education increased from 28 percent to 59 percent. Furthermore, by 2018, 63 percent of all jobs in the U.S. will require postsecondary education.¹⁹

Even manufacturing has shifted to more advanced, computer-assisted production, replacing the manual labor force with

Multicultural Buying Power (in billions of dollars)



Source: Humphreys, 2010

*2015 projected.

automation on the shop floor. While nearly one-third of all manufacturing jobs nationwide were lost during the recent recession in part as a result of these trends, the Manufacturers Institute reported in late 2011 that nearly half a million manufacturing jobs were unfilled. Their survey showed that 67 percent of manufacturers have a moderate to severe shortage of qualified workers, with even higher shortages in skilled production positions. Over half of those surveyed anticipate the shortage to increase in the next three to five years.²⁰

The fact that the U.S. education system is not producing enough skilled workers imposes a high cost on businesses and the economy. High school dropouts are so much less productive than high school graduates that each new class of U.S. dropouts will earn \$154 million less over their lifetimes than their high school graduate peers.²¹ These staggering earnings losses translate into less spending power, fewer contributions to the tax base and lower productivity.

The skills gap is a significant problem among all workers. Given the disparities in opportunity driven by historical segregation and access to quality education and training, there is a larger skills gap among African-American and Latino workers than whites.²² As business needs more and more high and medium skills workers, American workers' skills gap will cost U.S. business and workers significantly.

How Can Businesses Incorporate Strong Diversity in the Workplace?

Thirty-five percent of the respondents in the Forbes Insight survey said that accountability for diversity in their company lies directly with the CEO.²³

Since 2003, L'Oréal USA's office of diversity has reported directly to the CEO. "I have to be the champion of diversity and inclusion," said L'Oréal CEO Rozé. "It is my job to be a role model and show how important this is to our company. It is part of my responsibility to set objectives and monitor progress within our teams."²⁴

As with other corporate initiatives, measuring the success of workforce diversity means having clear metrics. According to Mattel's Wilson, "If we couldn't measure the impact of our diversity and inclusion efforts and programs, it would be a hard

Mattel: Employee Resource Groups

Mattel knows the value of harnessing the unique insights and experiences its employees bring to the table. In 2009, company executives decided to launch a line of dolls marketed to African-American girls. Senior management enlisted the aid of Mattel's African-American Employee Resource Group to advise and guide Mattel's marketing team through the launch of the product. During the course of several meetings, members of the group helped to come up with the name of the line and weighed in on the overall look and concept of the doll. Today, it is one of the company's best-selling, minority-focused brands.¹³

sell among company executives."²⁵ Sixty percent of the Forbes Insight survey participants said their company has metrics in place and 28 percent said they are developing them.²⁶

Progress Has Been Made but Barriers Still Exist

Nearly every company in the Forbes Insight survey (97%) had formal diversity and inclusion strategies in place. "Companies have to have a diverse workforce," said Credit Suisse's Niki Kesglou, Head of Diversity and Inclusion, Asia-Pacific. "It's very important to our business strategy and helps capture new clients and address business needs."²⁷

According to Chubb Group of Insurance Companies, a multibillion insurance group, "Those who perceive diversity as exclusively a moral imperative or societal goal are missing the larger point. Workforce diversity needs to be viewed as a competitive advantage and a business opportunity."²⁸

Although many companies are successfully employing diversity programs to help them meet their bottom line, significant barriers continue to exist. Just seven percent of survey respondents said they felt that no barriers existed at their organization to continuing to develop and implement their diversity and inclusion programs. Respondents cited tight budgets as well as middle management failing

to execute diversity programs adequately.²⁹ Survey respondents at companies with more than \$5 billion in revenues are putting significant more focus on retention and recruitment around diversity/inclusion than smaller companies.³⁰ As the *Forbes*

Insights report states, “there is still work to be done and barriers to overcome.”³¹

Conclusion

As business leaders, we recognize that achieving racial equity in our nation is challenging and not a short-term endeavor. But, because a diverse and inclusive workforce is critical for our success, we must take immediate steps to make meaningful progress towards achieving that goal, including:

- Continuing to take steps to eliminate racial inequity in our workplaces through strong diversity and inclusion policies and strategies that many companies are already supporting and implementing – and from which they are experiencing boosts to their bottom lines and strengthening their workforces.

- Facilitating the difficult but essential discussions about race that can increase our understanding of unconscious bias while promoting the benefits of diversity in all aspects of society.
- Joining the efforts of America’s Edge by supporting public investments in at-risk children – such as quality early childhood learning and innovative high school programs that integrate career relevance training with a rigorous academic curriculum – proven to reduce barriers to achievement, improve outcomes for children, and help them grow up prepared to succeed in college and career.

Competitiveness, demography, immigration, and globalization now drive diversity in our workforces and our customer and client bases. When all Americans succeed, our economy is stronger and we are ensured of sustained economic growth and security.

Endnotes

- 1 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*.
- 2 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 5.
- 3 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 5.
- 4 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 11.
- 5 Society of Management Accountants of Canada. (1996). *Measuring the impact of diversity*. Toronto: Author.
- 6 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 6.
- 7 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 7.
- 8 Towers Perrin (2009). *Managing Talent in Tough Times: A Tipping Point for Talent Management?*. 4.
- 9 Towers Perrin merged in January 2010 with Watson Wyatt to form Towers Watson.
- 10 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 7.
- 11 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 7.
- 12 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 7.
- 13 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 6.
- 14 The United States Census Bureau. *USA QuickFacts from the US Census Bureau*. Retrieved November 7, 2012 from <http://quickfacts.census.gov/qfd/states/00000.html>.
- 15 Humphreys, Jeffrey M (2010). *The Multicultural Economy*. Retrieved February 11, 2013 from <http://www.nmsdc.org/nmsdc/app/template/contentMgmt,ContentPage.vm/contentid/2168;jsessionid=28FA6D058AA5087460CEDBF6BEB131#.URk9tVqb844>.
- 16 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 5.
- 17 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 11.
- 18 As of Q2 2012, 28 percent of Oregon jobs require less than a high school diploma for entry and 43 percent require a high school diploma or equivalent. Chmura Economics and

- Analytics. (2012) *Education and occupational analysis for America’s Edge: Oregon and selected regions in Oregon*. Custom data analysis. Richmond, VA and Cleveland, OH: Author.
- 19 Carnevale, A.P., Smith, N., & Melton, M. (2011). *STEM: Science, Technology, Engineering and Math*. Washington, DC: Georgetown University Center on Education and the Workforce. Retrieved October 25, 2012 from <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/stemoregon1.pdf>
- 20 Morrison, T., Maciejewski, B., Giffi, C., Stover DeRocco, E., McNelly, J., Carrick, G. (2011). *Boiling point? The skills gap in U.S. manufacturing*. Deloitte Consulting & The Manufacturing Institute. Retrieved January 31, 2012 from http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/AD/us_PIP_2011SkillsGapReport_01142011.pdf
- 21 Alliance for Excellent Education. (November 2011). *The high cost of high school dropouts: What the nation pays for inadequate high schools*. Washington, DC: Author. Retrieved October 26, 2012 from: <http://www.all4ed.org/files/HighCost.pdf>
- 22 Bureau of Labor Statistics (2012) *Education pays*. Retrieved on October 26, 2012 from http://www.bls.gov/emp/ep_chart_001.htm
- 23 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 15.
- 24 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 15.
- 25 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 15.
- 26 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 16.
- 27 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 11.
- 28 Chubb Group of Insurance Companies. (2013). *Business case for diversity*. Retrieved on February 12, 2013 from www.chubb.com/diversity/chubb4450.html
- 29 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 17.
- 30 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 13.
- 31 Forbes Insights (2011). *Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce*. 17.



NATIONAL OFFICE
1212 New York Ave., NW, Suite 300
Washington, D.C. 20005

Susan L. Gates
National Director
(202) 408-9284 x108
sgates@americasedge.org

Tony Shivers
Deputy Director
(202) 464-5359
tshivers@americasedge.org

Kalli Krumpas
Membership Assistant
(202) 464-5360
kkrumpas@americasedge.org

STATE OFFICES

California

Jennifer Ortega, State Director
211 Sutter Street, Suite 401
San Francisco, CA 94108
(415) 762-8275
jortega@americasedge.org

Illinois

Tim Carpenter, State Director
70 E. Lake Street
Chicago, IL 60601
(312) 962-4850
tcarpenter@americasedge.org

Maine

Kim Gore, State Director
4 Jersey Circle
Topsham, ME 04086
(207) 725-7238
kgore@americasedge.org

Michigan

Boji Tower, Suite 1220
124 W. Allegan Street
Lansing, MI 48933
(202) 408-9284 x108
sgates@americasedge.org

Montana

Dave Curry, State Director
1204 W. Woolman
Butte, MT 59701
(406) 558-4732
dcurry@americasedge.org

New York

Jenn O'Connor, State Director
3 Columbia Pl, Floor 2
Albany, NY 12207
(518) 396-5774
joconnor@americasedge.org

Oregon

Martha Brooks, Western State Dir.
17675 SW Farmington Rd,
PMB#336
Beaverton, OR 97007
(503) 649-2068
mbrooks@americasedge.org

Washington

Steven Leahy, State Director
21015 NE 36th Street
Sammamish, WA 98074
(206) 790-3138
sleahy@americasedge.org

Wyoming

Martha Brooks, Western State Dir.
17675 SW Farmington Rd,
PMB#336
Beaverton, OR 97007
(503) 649-2068
mbrooks@americasedge.org

