

WHY DIVERSITY?

A BUSINESS CASE BRIEF

There are many reasons why diversity, culture and inclusion are important.

Your workforce and customer bases today do not look, think or communicate much like those of the past. Pounding economic, demographic, social and environmental changes constantly affect communities, global and local. Today's smartest organizations know that good diversity practices and an equitable, inclusive company culture are essential to success and sustainability.

What do we mean by the "Business Case for Diversity"?

The Business Case for Diversity is a statement about why diversity, equity and inclusion matter to your organization; specifically, what benefits they bring - including, but not limited to, an improved bottom line. It is part of a comprehensive approach that can bring different employee backgrounds and perspectives into play for real organizational advantage. Making a "business case for diversity" became a best business practice in the United States some time ago. Companies in other nations followed suit (Litvin, 2006). Some organizations write "philosophy" or "commitment" statements, which may also include a business case.

The Business Case for Diversity applies not only to private business but also to government, non-profit, philanthropic and academic sectors. Branches of the U.S. military now see diversity skills as a factor in producing better soldiers. In education, diversity is a key to reducing achievement gaps and improving completion rates. Community diversity has been linked to a region's economic health and to entrepreneurial success. The "bottom line" may be defined differently for different industries and different sectors; however, diversity, equity and inclusive culture matter to all of them.

Some critics say that diversity and inclusion efforts should be driven only by higher moral concerns about fairness, equality and respect for all people. They raise questions about reducing people to resources, valuing "shareholders" over "stakeholders" and motivating ethical behavior with economic incentives. This is called "the values case for diversity." Yet the "values case" and the "business case" are not mutually exclusive. They go hand-in-hand.

What *is* the "Business Case for Diversity"?

It's simple: diversity is a success driver. That's the business case. It is backed by decades of research. Consider these examples:

A study of 366 companies across multiple industries in Canada, Latin America, the U.K. and the U.S. found companies with ethnic and gender diversity are more likely to have financial returns above their national industry means (Hunt, Layton and Prince, February 2015).

A review of 71 research studies of Fortune 500 companies and other national and international corporations found that companies with diverse leadership and boards had better corporate governance, lower corporate fraud and substantially better financial performance, including higher returns on equity, sales and invested capital; better stock growth and higher total returns to shareholders (Catalyst, July 2013).

Over the 10-year period prior to 2006, DiversityInc's Top 50 Companies for Diversity yielded a 23.5% higher return than the Standard and Poor's 500 with dividends reinvested (DiversityInc, 2006). Since at least 1999, companies with good diversity practices have been reported to outperform the stock market (e.g., Colvin, 1999).

Researchers using longitudinal data from 100 firms found a positive relationship between diversity reputation and book-to-market equity (Roberson and Park, 2007).

Critical diversity is linked to improved reputation and increased departmental rankings in research universities (e.g., Henderson and Herring, 2013).

A Case in Point

Members of the Latino Employee Network at Frito-Lay, a division of PepsiCo, participated in the development of Doritos Guacamole Flavored Tortilla Chips. To help ensure the product's authenticity, these employees provided feedback on taste and packaging. Their suggestions helped make the guacamole-flavored Doritos one of the most successful new product launches in the company's history, generating more than \$100 million in sales in its first year alone.

"Diversity Finds Its Place"
- Robert Rodriguez (2007)

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What accounts for these results? Again it's the research, which shows that companies with good diversity practices:

- Attract top talent and employ that talent more effectively;
- Reduce costs - especially those associated with turnover, absenteeism, complaints and lawsuits;
- Increase creativity, innovation, productivity and problem solving;
- Increase marketplace understanding, market share, sales revenue and profits;
- Build positive customer and supplier relationships;
- Leverage relationships into opportunities and growth;
- Enhance leadership effectiveness.

Why do we need to state the Business Case?

The success of any organizational initiative or strategy depends on the involvement of many people. Naturally, different people are motivated differently. Top executives, boards and leadership teams are charged with the financial success of any enterprise. Their commitment to diversity efforts is essential. Ethical considerations will inform decisions for many. A strong business case shows everyone how good diversity practices benefit the institution.

The Business Case for Diversity also transcends economic conditions. Good diversity practices position your enterprise to take better advantage of economic growth, downturn and/or recovery; they prepare you to adapt as markets change - whether conditions improve or worsen. Stating the Business Case for Diversity sustains focus; it encourages consistent investment and ensures that diversity becomes part of your organization's fundamental business practices.

Diversity definitions, practices and measurement continue to evolve, but one thing doesn't change: inclusive practices are critical to achieving your organizational mission and goals. Everyone needs to be on board.

Build your own "Case."

Improving customer service, innovation and market-share are but a few of diversity's contributions to your bottom line. Every industry and institution can make its own, customized "case" by following these steps:

1. *Define diversity.* Create a shared understanding of what you mean when you use the term, remembering that individuals have multiple identities, yesterday's minority

is tomorrow's majority and parity is part of the picture. An inclusive definition of diversity that addresses equity equips your company to build solid practices now and respond effectively as change and discovery happen.

2. *Gather inside information.* Start with where you are now. Ask: What talents and markets are we reaching, and with what results? Who are we missing? How are their needs different, and how could we better connect? What levels of executive commitment and employee engagement have we achieved in this effort? What are we doing well, and what do we need to grow?
3. *Benchmark.* Look at what others are doing - partners and competitors in particular. Don't let differences in company size, sector or scope deter you. Look for "best diversity practices" in every situation, then look for ways you can apply and adapt those practices to your own situation.
4. *Define the advantages of equity and inclusion for your enterprise.* Think about all the reasons that good diversity practices and an equitable workplace culture make specific sense for your mission. State them clearly.
5. *Link diversity to business outcomes.* Connect these advantages of diversity with your own defined organizational objectives. Be specific.
6. *Write and post your business case in plain language* so that everyone in your organization can see how diversity, equity and inclusion contribute to the things they understand are important. Make sure that everyone, including nontraditional beneficiaries of diversity programs, can answer the question, "What's in it for us?"
7. *Don't stop there.* Create a sustained inclusivity initiative and a plan that describes strategies, goals, actions and accountabilities. If there are obstacles to a full initiative, identify one area for growth and take steps in that direction. Then build on your success.

In sum:

Whether you're a national corporation or a neighborhood association, workplace and marketplace change affects you. To leverage your best assets and secure your future, you must ensure that diverse customers, employees, new talent and established leaders all see themselves as a valued part of your big picture. A solid Business Case for Diversity sets your stage for your organization's long-term health and success.

For more information, contact Jody Alyn @ 719.385.0211 or jody@alynconsulting.com

Jody Alyn Consulting helps organizations achieve their bottom-line potential through the implementation of inclusion and equity-based strategies that increase organizational, team and individual effectiveness. Our clients include non-profit, corporate, governmental, military and educational institutions. Principal consultant Jody Alyn has designed award-winning initiatives and ground-breaking projects for more than 25 years.

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