

Title A: **How you approach diversity will determine your company's success**

Subtitle: **What you need to know as a leader.**

Title B: **How diversity and cultural intelligence are shaping the modern workforce**

Subtitle: **Making a case for inclusion.**

Title C: **Should you have a formal diversity program?**

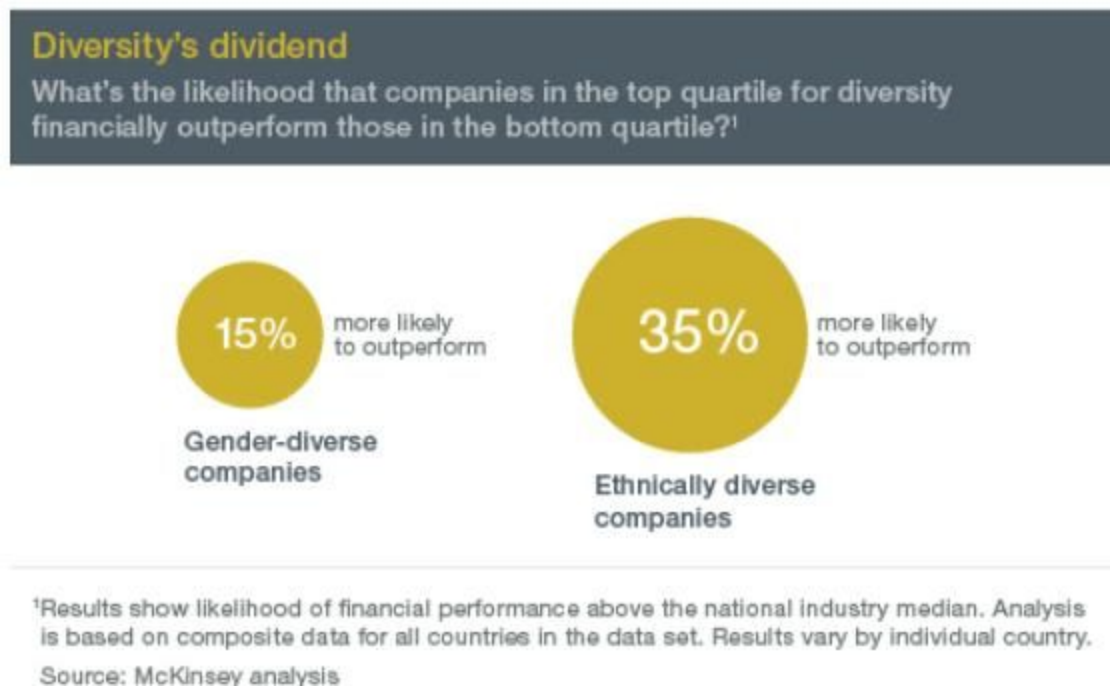
Subtitle: **Your competition doesn't think so.**



It was over [50 years ago](#) that a few forward-thinking companies recognized the importance of having an equal and diverse workforce and decided to do something about it. The Civil Rights Act came into effect, bringing with it the goal of outlawing workplace discrimination. As a result, companies began to

embrace values that better reflected the changing landscape of the American population. They invited workers from all backgrounds to join them to help build their companies.

It soon became obvious that the companies who employed racially and gender diverse workers were seeing significant increases in employee and customer engagement, and productivity. There was also the added and unexpected bonus of increased profits:



#### [SOURCE](#)

Diversity clearly gave companies an advantage over their competition. Before long, other companies started to follow suit. Diversity and Affirmative Action programs became common in companies' strategic business plans and not just a nice-to-have policy.

As more companies began hiring race- and gender-diverse workforces, pioneering companies wanted a different approach to stay ahead of their competition. By the 1990s, [we were using labels](#) to categorize individuals for diversity programs. Labels such as:

- Gender
- Age
- Ethnicity
- Religion

- Sexual orientation
- Physical ability

These identifiers gave companies permission to broaden their search criteria for qualified, diverse candidates. Efforts were often cleverly marketed as part of the company's consumer and employer branding strategies.

## A Globally Diverse World

As companies looked to expand globally or reach hard-to-access US demographics, diversity programs adapted to accommodate a more international workforce and customer base. It became necessary to include internal [cultural intelligence](#) training -- understanding how different cultures think and operate -- as part of the program. Part of cultural intelligence training involves recognizing that people from different backgrounds have different ways of looking at and solving problems, doing business, and purchasing goods and services.

As the [Economist Intelligence Unit](#) notes, "90% of executives from 68 countries cite 'cross-cultural management' as their top challenge in working across borders." Tapping into the knowledge and cultural intelligence that exists within a company's diverse workforce better prepares you for expansion into emerging markets. It helps companies understand their customers, and increases customer and employee engagement much better than any survey or market research could.

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In 2016, US President Barack Obama attempted to formally acknowledge the importance diversity plays in the US workforce and encourage continued progress in the area. He [said](#), "Research has shown that diverse groups are more effective at problem-solving than homogeneous groups, and policies that promote diversity and inclusion will enhance our ability to draw from the broadest possible pool of talent, solve our toughest challenges, maximize employee engagement and innovation, and lead by example by setting a high standard for providing access to opportunity to all segments of our society."

A [popular 2015 report](#) from leading consulting group McKinsey & Company supports the belief that our available pool of workers will only continue to become more diverse. 50% of infants born in the US in

2010 were members of a racial or ethnic minority group. Similarly, Deloitte Consulting, who actively monitors global workforce changes and predicts trends, found that Generation Y and Millennials now comprise the [largest, most ethnically diverse, and better educated](#) segment of the US labor market.

In terms of business ownership, [the US Census Bureau](#) recorded that the growth of minority-owned US companies jumped from 5.8 million people in 2007 to 8.0 million in 2012, employing 7.2 million workers. Yet during that same period, the number of non-minority-owned businesses declined by 1.1 million, from 20.1 million to 18.9 million.

But just because a workforce is diverse doesn't necessarily mean it's skilled, does it?

### **A shortage of skilled workers?**

As the GenY and Millennial statistic shows, this diverse cohort is better educated than previous generations. Other [recruiting studies show](#) that many cohorts typically targeted by diversity programs are better sources of skilled workers. According to 2014 [US Census numbers](#), immigrants with a college education are more likely to hold advanced doctorate degrees than their US-born counterparts: 14% vs. 10% of native-born peers. And recruits who identified as LGBT were "more highly skilled and more likely to have advanced degrees."

These numbers are in stark contrast to the widely-held belief that there is an ongoing [global shortage of skilled workers](#), causing concern with [73% of company CEOs](#) that they will be unable to meet company demands for growth.

What's a company to do?

When skilled workers have their pick of employers, they want to work for companies who embrace diversity and will support them on a larger scale. Top Millennials prefer [working for organizations](#) that offer a "supportive environment where they can express their views and opinions, and where different backgrounds, experiences, and perspectives are valued." In short, they'd like to be part of their company's cultural intelligence efforts.

LGBT individuals and LGBT allies are also looking for a supportive environment. 72% of allies say that they are [more likely to accept a job](#) at a company that is openly supportive of LGBT employees. This translates into higher employee engagement, with 84% of LGBT employees saying they're proud to work for their employer compared to 68% at unsupportive companies.

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### Diversity and buying power

As Deloitte consulting reports, for nearly two decades, the buying power (disposable income) of minorities has continuously and significantly outpaced that of white consumers:

	1990 Buying power	2014 Buying power (projected)	Increase between 1990 and 2014
African American	\$318 billion	\$1.1 trillion*	246%
Hispanic	\$212 billion	\$1.3 trillion*	513%
Asian American	\$117 billion	\$696.5 billion*	495%
Native American	\$19.7 billion	\$82.7 billion*	320%
White	\$3.8 trillion	\$13.1 trillion*	245%
(LGBT) Lesbian, Gay, Bisexual, Transgender	Not avail.	\$835 billion**	

### [SOURCE](#)

Companies (particularly B2C businesses) that have internally and externally embraced diversity and cultural intelligence as part of their strategic business model, and actively market their business that way, are able to reach a demographic that their competition may never be able to.

As consumers, LGBT individuals express [a preference and loyalty](#) for LGBT-friendly brands, with 78% of online purchasers opting to buy from companies that specifically advertise to the gay market. On a global scale, [LGBT buying power](#) is now estimated at \$3.7 trillion. Clearly, being gay-friendly is critical for economic growth.

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### Diversity in leadership

We know that customers and employees want to do business with companies they can relate to. Yet some company leaders remain unconvinced that diversity needs to be anything more than a hiring and marketing tactic.

The [McKinsey study](#) makes it clear that having a widely diverse workforce doesn't necessarily translate into success for a company. What does make a positive impact is diversity at a company's leadership level. Yet an incredible "97% of US companies fail to have senior leadership teams that reflect the country's ethnic labor force."

McKinsey found that when a market is dominated by any one ethnicity, it tends to make worse decisions. This is likely due to 56% of leaders not perceiving value in an idea that they don't personally believe in.

When a company's leaders are of similar educational and socioeconomic backgrounds, minority groups may feel that they are not effectively represented by their employer. This directly affects employee engagement, a critical operational element. (Check out [GoCo's previous blog](#) on the role employee engagement plays in a company's success.)

When you compare the ratio of male to female board members who believe that having a diverse board benefits the company, the discrepancy is particularly disconcerting:

## Male and female directors have differing views on the value of board diversity

Diversity leads to enhanced company performance

% responding 'very much'

89%

24%



35%  
all directors

■ Female directors ■ Male directors

Diversity leads to enhanced board effectiveness

% responding 'very much'

92%

38%



47%  
all directors

Q. To what extent do you believe the following regarding board diversity:  
Base: 852-892  
Source: PwC, 2016 Annual Corporate Directors Survey, October 2016.

### SOURCE:

Women are consistently underrepresented at the board level. The current average for [female board members](#) is at 11%. Because of this, diversity ratios will be slow to equalize. That's unfortunate given that companies with diverse boards—even just gender diverse boards—consistently outperform their non-diverse counterparts; 84% of Fortune 1000 companies have 20% or more women on their board. Of the companies that fell off Fortune's list, 55% had one or no female board members.

### **Creating your formal diversity program**

As the board leadership example illustrates, there is a range of self-imposed roadblocks that companies face when trying to change their outdated habits.

In order for your company's diversity and inclusion efforts to be genuine and meaningful, you will have to navigate through some uncomfortable areas. This means getting full support from the most senior levels in the company and addressing any existing cultural bias throughout the ranks.

Open the door for your people to talk about gender, race, sexism, ageism, etc. Help [identify current obstacles](#) and areas where sensitivity training may be required. Consider how you want to get the message out that your company openly supports diversity. It's critical that the actions support the words.

Your greatest challenge may lie in trying to keep your diverse workforce once you get them in the door. [Diversity without inclusion](#) is a very real problem for companies who have noticed attrition among a large number of their diverse workforce that simply feel like they don't 'fit in' at the company. Traditional employee engagement strategies may not work for diverse employee populations. Cultivating high cultural intelligence internally can be key to the success of your diversity program.

Further, your company may want to enlist the help of a diversity expert to advise on formalizing a program to meet your company's specific needs. They can teach you how to best engage all your employees, not just your diverse ones.

In 50 years, we've come a long way in promoting equality and inclusion in the workplace. As statistics show, the success of a company's diversity program depend on top-down conviction, message consistency, and company-wide engagement. Carefully consider the message that your company sends to clients and employees alike. Keep it genuine.