

GAINING COMPETITIVE ADVANTAGE: THE CASE FOR DIVERSITY

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In its recent "Best Practices in Achieving Workforce Diversity", the U.S. Government's Taskforce on Diversity pointed out that the recruitment and retention of an ever increasing diverse workforce will be the key for organizations to gain an advantage over competitors. Recruiting and retention will be necessary for developing innovations and to find new business and market opportunities. Successful recruitment, retention, and marketing in an environment of both changing domestic demographics and increasing globalization will be critical in improving productivity, organizational effectiveness, and a sustained competitive advantage.

CHANGING DEMOGRAPHICS

A few statistics will point out the nature the of the changing demographic environment that will provide the context for both recruitment and retention.(for more demographic information, see the demographic information in this Resource Center's Case for Diversity section):

The over-all population is becoming more diverse.

PERCENTAGE OF U.S.POPULATION BY RACE AND HISPANIC ORIGIN:1990-2000 U. S. Census, 1990 & 2000

	1990	2000
Total Population	253,979,140	281,421,906
White	75%	69.1%
Black	12.1%	12.3%
Hispanic origin (of any race)	9.3%	12.5%
Asian and Pacific Islander	2.8%	3.6%
American Indian, Eskimo, Aleut	0.7%	0.9%

The increasing diversity of the population can be clearly seen in large urban areas.

PERCENT RACIAL COMPOSITION OF 100 LARGEST U.S. CITIES 1990 & 2000 Census

	1990	2000
Total Population	51,764,999	58,441,915
White	52.1%	43.8%
Black	24.6%	24.1%
Hispanic origin (of any race)	17.2%	22.5%
Asian and Pacific Islander	5.3%	6.6%

In some parts of the country, "minorities" will form the majority of the population. For example, by 2010, White, non-Hispanic Americans will be only 33.3 percent of the California population, while Hispanic Americans alone will be 42 percent. The average age of employees will also increase as the wave of baby boomers enters their middle years.

CHANGING COMPOSITION OF THE WORKFORCE

As the following chart indicates, demographic changes in the population at large will have a significant effect on the composition of the American workforce:

The workforce will be increasingly composed of "minority" populations.

**PROJECTED CHANGES IN THE ETHNIC COMPOSITION OF THE AMERICAN WORKFORCE
(Workforce 2020. Hudson Institute. Indianapolis, IN, 1998)**

	2000	2010	2020
White non-Hispanic	74%	72%	68%
Black non-Hispanic	11%	11%	11%
Hispanic	10%	12%	14%
Asian non-Hispanic	5%	5%	6%

The Workforce 2020 study projects that by 2005 all minorities, including minority women, will make up 51 percent of net new entrants to the workforce. Looking at women alone, all women (minority and White) will make up 62 percent of new entrants. (Net new entrants to the workforce are calculated as total entrants to the workforce minus those leaving it).

Demographic changes will alter significantly the composition of the population as a whole and of the workforce. In addition, these changes will have a major affect on who has “buying power” and the definition of the markets that will provide growing business opportunities.

CHANGING MARKETS

(Statistics from Reversing the Ostrich Approach to Diversity: Pulling your Head out of the Sand by A. S. Tolbert, Ph.D. NASUS Publishing, Minneapolis, MN. 2002)

The buying power of minority groups has increased substantially over the last 10 years.

PROJECTED ETHNIC BUYING POWER—COMBINED BUYING POWER OF AFRICAN AMERICANS, ASIAN AMERICANS, AND NATIVE AMERICANS

1990	2007
\$453 billion	\$1.4 trillion

Information from the Selig Center's report, The Multicultural Economy 2002: Minority Buying Power in the New Century

PROJECTED BUYING POWER

	2002	2007	% Increase
African American	\$645.9 billion	\$852.8 billion	170 percent
Asian American	\$296.4 billion	\$454.9 billion	287 percent
Hispanic*	\$580.5 billion	\$925.1 billion	315 percent
Gay, Lesbian, Transgender	\$451 billion	\$608 billion	35 percent

Source: The Multicultural Economy 2002: Minority Buying Power in the New Century; Selig Center for Economic Growth, University of Georgia, 2002

GLOBALIZATION

Domestic demographic changes already has changed who organizations must recruit and retain, what strategies they must adopt to improve productivity, and changes they need to make to for more effective marketing. Another feature of the 21st Century will affect organizations just as much as changes in domestic demography. Most businesses will increasingly need to learn how to be effective in global competition for the best workers and in successfully capturing significant shares of global markets. More and more businesses of all sizes now play in the global marketplace and must become effective global competitors.

RECRUITMENT

In order for companies to fill positions in the foreseeable future, they will need to attract minorities. This means not only finding access and providing information to minority populations, but also to demonstrate an organizational environment that will welcome and support a diverse workforce. Women and people of color will represent the majority of new entrants to the U.S. workforce by 2005. Recruiting experts point out that the best and the brightest of these prospective new employees will work for companies that recruit through creating programs for multiethnic students, affiliations with multicultural organizations, and active campaigns on job sites aimed at diverse candidates.

RETENTION

Estimates of the cost of replacing an employee vary, but a good rule of thumb is that replacing an employee costs four times that worker's salary. These costs include such factors as the time involved in recruitment, hiring, and training, as well as the dollars lost to production while the position is unfilled. Such calculations, moreover, do not take into account the costs of lost accumulated company knowledge and the current and future potential of contribution of the employee who has left. If turnover is high, poor morale also increases the real cost of attrition.

PRODUCTIVITY & PERSPECTIVE

Diversity in the broadest sense, incorporating not only different ethnic, cultural, and religious groups into the workplace, but also respecting all differences, can be a lens through which new ways of thinking about products, markets, and innovation can develop. Moreover, high productivity increasingly depends on effective functioning teams. The best teams generate the most cohesion and respect for other team members, are not afraid to risk putting forth ideas and striving for better practices and innovation. Creating and sustaining such teams is made much more difficult by misunderstandings and conflicts involving cultural differences. Furthermore, teams that bring together varied experiences and perspectives have a higher probability of being more creative and innovative. In any case, as the workforce becomes more diverse so will teams on which organizations depend for high productivity and effectiveness.

ORGANIZATIONAL EFFECTIVENESS

As quoted in the Best Practices Study (see The Case for Diversity section of the Resource Center), John Pepper, CEO of Procter and Gamble stated that the success of his company "is a direct result of our diverse and talented workforce. Our ability to develop new consumer insights and ideas and to execute in a superior way across the world is the best possible testimony to the power of diversity any organization could ever have."

Retrieved from http://www.networkomni.com/whitepapers/Diversity_WP.pdf on November 13, 2008.