THE "BUSINESS CASE FOR DIVERSITY" AND THE PERNICIOUS PRACTICE OF MATCHING EMPLOYEES TO CUSTOMERS

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Abstract

The typical "business case" for workforce diversity management in the USA implies that matching the demographic characteristics of sellers to buyers increases firms' productivity and profitability. This argument easily translates into discriminatory employment practices, starting with stereotype-based segregation in work assignments and spreading to consequent inequality in other employment outcomes. We illustrate these patterns with empirical data from one large retailer and from the advertising industry. To avoid negative effects on both business and societal objectives, employers need to be guided by a business case promoting workplace inclusion, not "diversity without inclusion," which buyer-seller matching represents.

I. Introduction

In the USA, the 1960's Civil Rights Movement symbolized by the leadership of Dr. Martin Luther King, Jr. established the moral imperative for ending workplace discrimination. The keystone legal consequence of these efforts was Title VII of the federal Civil Rights Act of 1964 which granted broad, enforceable rights to equal employment opportunity regardless of race, color, religion, sex or national origin.

Over the ensuing 50 years, these moral and legal developments have secured major reductions in workplace inequities for racial/ethnic minorities, women, and other "out groups." However, they have not eliminated all employment discrimination or prevented employer backsliding (Smith and Welch, 1989; Reskin and Bielby, 2005; Bendick, 2007). Remaining inequities in part reflect the choice of some employers to meet legal requirements only when they are directly challenged by public enforcement or private litigation -- typically slow or unlikely events. This tendency to "wait it out" has been reinforced by sometimes wavering commitments to equal employment opportunity by some U.S. courts and legal enforcement by some presidential administrations (Kelly and Dobbin, 1998).

One response to these circumstances by diversity/anti-discrimination practitioners within the human resource management community has been to articulate reasons *independent of moral concerns and legal requirements* why employers should provide equal employment opportunity.

These rationales are commonly referred to as the "business case for diversity" because they argue that the workforce diversity advances business objectives of productivity and profitability.

Most observers agree that employer support for equal employment opportunity is strengthened when these practices are viewed as promoting business' own objectives rather than solely responding to external legal or moral pressures (SHRM, 2005; Bendick, Egan, and Lofhjelm, 1998). However, the content of the "business case for diversity" has received little critical attention. In this paper, we focus such attention on one principal component of the typical business case -- the claim that employee diversity equips businesses to deal with diverse customers.

Section II of this paper describes the typical business case's articulation of this argument and its potential mis-translation into discriminatory employment practices. Sections III and IV illustrate this outcome with empirical analyses of African American managers in one large firm and one important industry. Section V discusses how employers can avoid such perverse results by avoiding a fundamental mistake common in diversity management today -- focusing on workforce diversity rather than workplace inclusion. Finally, Section VI suggests the relevance of this discussion in workplaces outside the USA.

II. Linking Employee Diversity to Customer Diversity

When the "business case for diversity" is presented to a company, the arguments are most persuasive when it is customized to that firm's industry, competitive strategy, history, and terminology. The public statement by one large employer, Chubb Insurance,[1] is presented in Figure One as a representative example.

As is typical in such statements, Chubb Insurance essentially argues that a diverse workforce offers three advantages to employers:

- <u>First, access to a broader pool of potential employees</u>. The native-born white male workers who have traditionally dominated much of US employment -- particularly in well-paid, prestigious, influential positions -- are a decreasing proportion of the available work force. Now and in the future, an increasing proportion of trained, talented employees will be race/ethnic minorities, women, and members of other "out groups."

- <u>Second, ability to relate to diverse customers</u>. Consumers of goods and services, both domestic and international, are also increasingly different from the native-born white males who have traditionally led efforts to develop and sell products to them. Diverse employees bring differing life experiences, cultural backgrounds, and ways of thinking that will assist their employer to relate to, understand, and meet the needs of a broad range of customers.
- <u>Third, a more productive work force</u>. Heterogeneous work groups are more flexible, creative, and innovative than homogeneous groups, making their employer more nimble in adapting to its constantly-changing business environment.[2]

[1] Downloaded May 7, 2009 from http://www.chubb.com/diversity/chubb4450.html.

[2] The research evidence in support of this proposition is mixed and concludes that the process for obtaining these benefits is more complex than simply increasing team heterogeneity (Kochan et al., 2003; Jackson, Joshi, and Erhardt, 2003; Jackson and Joshi, 2004; Leonard, Levine, and Joshi, 2004; Mannix and Neale, 2005). However, that discussion is largely beyond the scope of this paper.

Figure One

CHUBB INSURANCE'S BUSINESS CASE FOR DIVERSITY

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. That's why Chubb makes diversity a business priority and strives to achieve a fully inclusive diverse workforce.

Defining Diversity

Diversity is about recognizing, respecting and valuing differences based on ethnicity, gender, color, age, race, religion, disability, national origin and sexual orientation. It also includes an infinite range of individual unique characteristics and experiences, such as communication style, career path, life experience, educational background, geographic location, income level, marital status, military experience, parental status and other variables that influence personal perspectives.

These life experiences and personal perspectives make us react and think differently, approach challenges and solve problems differently, make suggestions and decisions differently, and see different opportunities. Diversity, then, is also about diversity of thought. And superior business performance requires tapping into these unique perspectives.

Diverse Workforce

As our U.S. and global customer base becomes steadily more diverse, significant portions of Chubb's future growth must come from tapping into these diverse markets. If we are to form lasting business relationships with our customers and become a true global leader in the industry, we must understand our customers' diverse cultures and decisional processes, not merely their languages. To do so, we must begin with a diverse workplace.

It is well-proven that diverse, heterogeneous teams promote creativity, innovation and product development. Only by fully embracing diversity and maximizing the well-being and contributions of our people can we fully maximize the strength and competitiveness of our company. We must encourage individuals to reach their full potential, in pursuit of organizational objectives, without anyone being advantaged or disadvantaged by our differences.

Demographics

Once a largely homogeneous group, the faces of customers, claimants, producers, employees and suppliers have been transformed into a dynamic mix of people comprised of various races, cultures and backgrounds. In 2008, "minorities" are roughly one-third of the U.S. Population, by 2042 "minorities" will be the majority.

Clearly, the U.S. population -- and the world's -- is changing dramatically. Forward-looking companies that recognize and understand the implications of these demographic shifts accordingly alter their customer focus, employee base and business practices to better manage the needs of current and future customers and employees.

Buying Power

If we disregard the data on changing demographics, we also disregard the substantial growth in buying power of diverse markets. Not only are these diverse minority groups increasing as a percentage of the U.S. population, but so too is the buying power they wield.

From 1990 to 2007, minority group market share and purchasing power doubled and in some cases tripled. By 2012, that buying power will increase by another 30%. This economic clout is not limited to minorities. Gay and lesbian consumers will control a 6.4% market share, or $835 billion. The present and future monetary power of diverse markets is more apparent each year.

Business Imperative

In order for Chubb to remain competitive for talent and for customers, it is imperative that we attract and value diverse talent and enable that talent to attract and value diverse customers.

This paper focuses on the second of these reasons, concerning a business's ability to relate to diverse customers. Figure One does not make explicit exactly how employee diversity is to translate into this effect, leaving managers to interpret it through their own business perspectives.

To such an audience, the data on demographic trends and purchasing power in Exhibit One has obvious marketing implications: If "diverse" consumer markets are large and growing, then their company needs to gear up to serve these markets. Their company's traditional ways to do so have involved tailoring products and services to these customers' preferences and targeting advertising messages and marketing strategies to them. If the same data are being presented as a rationale for their company's commitment to workforce diversity, then the message must be that *another part of the strategy for serving these market segments is to provide staff tailored to them as well.* Managers are being directed to hire individuals from the "diverse" groups *so that these employees can be assigned to the market segments from which they are drawn.*

To divide markets into subsets of customers with similar needs and similar consumer behavior is a standard marketing practice called market segmentation, and it is not in itself problematic. The problem arises from assuming an automatic relationship between the average characteristics of customers in a market segment and the personal characteristics of an individual job candidate or employee based on a single characteristic -- such as race -- the individual shares with the segment. In this logic, that single demographic characteristic is assumed to guarantee special insider knowledge of, and ability to relate to, a set of consumers.

Some observers may question that managers commonly make this mistake when they "connect the dots" in their company's business case for diversity. However, we have heard managers in many different industries interpret their company's intentions in exactly these terms. For instance, we perceive this logic to underlie the following fictional statements paraphrasing ones we have actually heard:

- Send me a "soccer mom" for our minivan engineering department because most minivans are bought by suburban women with young children.
- "Jose, your parents are from Puerto Rico. We want you to pick a name for our new breakfast cereal that will work in our South American market.

  Make sure everyone on the internet design team is under 30; the web is a young person's world.
- That's a rough ghetto neighborhood. Let's recruit someone black for that sales route because it's too dangerous for a white person.

  The next sections of this paper examine the employment effects of such logic in one major employer and one important industry.[3]

III. Matching Retail Employees Community Residents

Our first example involves "Neighborhood Stores Corporation," a fictional name disguising the identity of a real company. This "*Fortune* 500" retailer is a long-established, profitable, growing nation-wide chain with more than 1,000 establishments and tens of thousands of employees. The data we examine here concern Store Managers and Assistant Store Managers

[3] Additional examples can readily be drawn from other industries, including legal services (ABA, 2006), educational services (Valian, 1998, chapter 11), and restaurants (Bendick, Rodriquez, and Jayaraman, 2009).

described in "snapshot" data on the company's workforce on the last day of the company's business year in 2001-2005.

As a large employer and a federal government contractor, Neighborhood Stores is subject to legal mandates for equal employment opportunity and affirmative action. In response, the "careers" section of the firm's website contains a short formal statement that the firm has policies and programs to ensure compliance with these requirements.

However, this perfunctory statement is far overshadowed by a multi-page section of the website enthusiastically touting the company's commitment to diversity *as a productive business practice*. A banner at the top of each page in this section announces, "Diversity is key to our corporate mission of serving our customers." The section also includes a video clip of the firm's CEO stating: [4]

> Our company is a community retailer serving diverse customers all over the nation, and we must reflect the diversity of those we serve….Diversity provides us a powerful business advantage. The diverse employees moving up through our company give us an understanding of the many customer groups we serve. Their unique cultures and experiences are essential to our future success.

The website then describes how the company's commitment to diversity is carried out through diversity-promoting policies and practices widespread among major American corporations today. These initiatives include: a Corporate Director of Diversity reporting to a senior executive; a diversity advisory council; outreach to encourage job applications from race/ethnic minorities and other targeted groups; mentoring and training to prepare women and minorities for promotions; and commitments to increase purchases from minority suppliers.

No doubt in part reflecting these efforts, Neighborhood Stores' in-store management workforce includes an unusually high proportion of African Americans -- 12.9% of the company's Store Managers and Assistant Managers. This representation can be compared to the African American proportion of managers in large retail chains nation-wide in the same period, which was 7.6%.[5] In terms of this metric, Neighborhood Stores' diversity is 70% higher than its industry peers.

But where are these African American managers assigned? Does the "powerful business advantage" cited by the CEO arise from black store managers' presumed ability to generate more profits from stores in black neighborhoods than white store managers could? That hypothesis led us to create Table One.

For marketing purposes such as selecting which products to stock on store shelves, "Neighborhood Stores" classifies each of its retail establishments by customers' income and racial background using categories which are simplified in Table One. The table documents that the company extends its "tailoring" of store offerings beyond the merchandise mix to include the mix of store personnel. Among stores in low-income and moderate-income predominantly African American neighborhoods, the store manager was African American 30% to 40% or more

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[4] This quotation and other information in the surrounding paragraphs have been slightly modified to preserve the company's anonymity.

[5] This figure is based on employers "EEO-1" reports to the federal Equal Employment Opportunity Commission for 2003 covering all private sector employers in Retail Trade with at least 100 employees (see www.eeoc.gov/stats/jobpat and Bendick, 2000).

of the time. In neighborhoods which are more affluent, more white, or both, that proportion always remained below 7%.

Table One
Proportion of "Neighborhood Stores" Retail Establishments with an African American Manager, by Customer's Income Level and Race, 2001-2005

Predominant Race of Customers	Customers' Average Annual Household Income		
	< $40,000	$40,000 - $60,000	> $60,000
African American	33.1%	42.1%	6.7%
Other Minorities or Mixed	6.8%	6.6%	4.0%
Whites	2.1%	3.1%	5.3%

Is the company's intention in making these assignments to provide retail staff to whom African American customers can easily relate and with whom they can easily communicate? Is it to provide store staff with local knowledge of lower-income neighborhoods and the background, language, or appearance to blend with their residents? If so, then this intention is not widely fulfilled. The average Neighborhood Stores' African American store managers during 2001-2005 had little in common with the residents of the neighborhoods to which they were disproportionately assigned:

- The majority of Neighborhood Stores' African American store managers were college graduates, which the majority of residents of the lower-income neighborhoods were not. They did not match in "social class" terms.
- The company's African American store managers earned an average of $61,023 per year, and many earned $100,000 or more, while the average in the neighborhoods where they were disproportionately assigned was either under $40,000 or under $60,000. They did not match in income terms.
- Only about 5% of Neighborhood Stores' African American store managers and assistant managers lived in the same zip code as their stores. The vast majority did not match local residents in terms of daily life experiences or personal networks -- for example, in their children's schools.
- Although residential segregation remains strong in many American communities, it is seldom absolute. As many as 60% of the residents in a neighborhood the company labeled "African American" could be non-African Americans, often from other minority groups such as Latinos or Asians. Thus, the African American store managers did not even racially match many local residents.

Simply put, other than stereotypically assuming that "all minorities are alike," it is hard to understand how Neighborhood Stores would assume that disproportionate assignment of African American managers to these neighborhoods would confer the "powerful business advantage of diversity" which the CEO trumpeted. Nevertheless, such thinking can reasonably be inferred from juxtaposing the pattern of assignments documented in Table One and the company's rationales for valuing diversity stated so emphatically on its website.

This lack of actual match between African American store managers and their assigned customers is only half the flaw in such assignment policies. The other half derives from the shakiness of the assumption that Neighborhood Stores' customers are more likely to patronize stores staffed by persons of their own race. A substantial body of empirical research covering both consumer sales and business sales confirms that, in most circumstances, buyers are not particularly concerned about the racial match between themselves and sales representatives. Instead, customers report that the key to sales effectiveness is sales staff's ability to understand, communicate with, and develop trust with them, regardless of how that is achieved (Leonard, Levine, and Joshi, 2004; Lictenthal and Tellefson, 2001; Sengupta, Krapfel, and Pusateri, 2000). The limited importance consumers attach to race matching has also been documented for other visible demographic characteristics such as gender (Dwyer, Orlando, and Shepherd, 1998), age (Kang and Hillery, 1998), and ethnicity (Comer and Nicholls, 2000).

The final irony in the pursuit of business advantage through racial matching is that the store assignments described in Table One *reduce* the benefits Neighborhood Stores derived from diversity in the forms suggested by the other two elements of the company's business case. These two elements concern utilization of employee talent -- expanding the company's choice of job candidates by considering individuals from growing segments of the labor force and enhancing organizational creativity/flexibility by mixing such employees with employees of other backgrounds.

At Neighborhood Stores, these potential benefits are reduced in more ways than by limiting the range of stores to which the company assigns African American managers. It is also limited by the fact that the stores to which these managers are disproportionately assigned are "career killers" in the sense of tarnishing the performance records of employees working there. For example:

- Neighborhood Stores' establishments in lower-income African American neighborhoods tend to have below-average square footage, which limits their total sales. Store sales volume is an important factor in the chain's formula for computing managers' bonuses, a major component of managers' total yearly earnings. In this formula, each $100,000 reduction in a store's annual sales resulted in an average $2,300 lower store manager's annual bonus.
- Stores in lower income neighborhoods tend to have higher rates of customer and staff theft, and such "inventory shrinkage" is another major factor in the company's formula for computing managers' annual bonuses. Each 1% increase in shrink resulted in an average $7,033 lower manager's annual bonus. Simultaneously, assignment to these crime-prone stores exposes managers to more danger and stress.
- To be promoted to store manager, Neighborhood Stores' assistant managers must complete a number of specific training exercises. Assistant managers assigned to older, smaller, low-income, "high shrink" inner city stores tend to be overworked and therefore have fewer opportunities to complete the required training to become eligible for promotions.

Selected consequences of such effects on employees' careers are displayed in Table Two, which compares four employment outcomes for Neighborhood Stores' white and African American managers. According to the table, during 2001-2005, African American managerial employees on average received lower performance ratings, earned less, took longer to be promoted, and voluntarily quit the company sooner than their white counterparts.

Table Two
Selected Employment Outcomes for "Neighborhood Stores"
Store Managers, by Race, 2001-2005

Employment Outcome	African Americans	Whites	Ratio of Af. Am./White
Average Performance Rating	3.4	3.6	.95
Average Earnings (Salary + Bonus)	$61,023	$68,943	.88
Annual Probability of Promotion to Store Manager	9.6%	14.0%	.69
Average Years with the Company Prior to Voluntary Termination	8.4	11.2	.75

These outcomes suggest that Neighborhood Stores is not drawing effectively from the labor pool of African American potential employees in ways on which the two remaining components of the typical business case depend:

- As reported earlier, the company employs a higher proportion of African Americans (12.9%) among its in-store managers than do other comparable retailers (7.6%). However, that outcome primarily reflects the firm's aggressive hiring of African American management trainees. As Table Two reports, when these trainees receive lower performance ratings, they are promoted more slowly to responsible positions. And when they earn less than their white counterparts and experience greater stress, they voluntarily terminate at a higher rate. Thus, the company's racial diversity among entry-level managers does not translate into racial diversity in more crucial decision-making positions such as store managers. This unproductive pattern, which is common in many firms, is often referred to as the diversity "revolving door" (Thomas, 2005, p. 67; see also Leonard, 2006).
- This shortfall in the company's promotion and retention of African American in-store managers, in turn, generates an under-representation of African Americans in key "above-store" leadership positions, such as among regional managers and at corporate headquarters. In combination with the over-concentration of African American store managers into districts where a disproportionate number of their fellow managers are black, this shortfall limits interaction between African American employees and employees of other backgrounds. They therefore have fewer opportunities to share their "unique cultures and experiences" and enhance the company's flexibility, creativity, and innovation by providing heterogeneity in company work teams.

IV. Matching Advertising Employees to Target Markets

The previous section discussed a retail chain selling tangible goods to retail customers. This section analyzes firms providing intangible services to business customers -- the American advertising industry.

African Americans have worked in advertising since the modern American advertising industry emerged more than 100 years ago. Yet from that time to the present, their role in the industry has remained dramatically circumscribed and remarkably segregated. These patterns are relevant to the present paper because they reflect industry leaders' assumptions concerning the productive potential of African Americans in their industry. Although not explicitly stated as a "business case for diversity," this behavior and its underlying assumptions constitute an *implicit* business case.

In a recent analysis of the advertising industry, we estimated the expected representation of African Americans among managerial and professional employees in the industry today at 9.7%.[6] Their current actual employment of 5.2% is only 55% -- roughly half -- that expected level. Moreover, this representation is increasing at less than one-tenth of one percentage point per year, at which rate African American employment will not reach today's expected level for another 71 years.

This persistent under-utilization of African Americans in advertising has occurred in a period which saw substantial increases in African American managerial and professional employment in other industries. According to EEO-1 data, in 1975, 2.3% of managers and professionals in the advertising industry were black, a rate one-third lower than the comparable 3.1% figure for all US industries. Some 31 years later, in 2006, this gap between the advertising industry and the average of all industries had more than doubled, from 0.8 percentage points in 1975 to 1.9 percentage points (Bendick and Egan, 9, pp. 36-37).

Concurrently with these shortfalls in the total number of African Americans in professional and managerial positions in advertising, the industry has persistently segregated and sidetracked those African Americans who do get such jobs. Among the 8,900 African American managers and professionals in the industry today, at least 3,500 -- about 40% -- are hemmed in behind the "glass ceilings" or "glass walls" of occupational segregation (Bendick and Egan, 2009, p. 26).

Drawing on EEO-1 data and Census data for 2000, Table Three presents proxy measures for three forms of this segregation.

The first line of the table reports that, compared to their white peers, African American advertising managers and professionals disproportionately hold less powerful, less-prestigious positions within their agencies, such as in media buying, accounting, or human resources. Conversely, their white peers are disproportionately over-represented in ad creation and client relationship positions within their firms. These latter positions are considered the "heart and soul" of advertising agencies, the "make or break" functions crucial to agency success (Bendick and Egan 2009, p. 29).

[6] Bendick and Egan (2009), p. 21. This estimate is derived from data from the U.S. Census Bureau, U.S. Equal Employment Opportunity Commission, and similar sources concerning African American representation among professional and managerial employees in comparable occupations, comparable industries, or with "feeder" educational or experience backgrounds. The remaining figures in this paragraph are from Bendick and Egan (2009), pp. 24, 42.

Table Three
Three Indicators of Occupational Segregation among Managers and Professionals in the U.S Advertising Industry, 2000, by Race

Employment Outcome	African Americans	Whites	Ratio of White/Af. Am.
% Working in Media Buying or Administration	41.3%	33.4%	.81
% Earning < $100,000 per year	98.8%	87.8%	.89
% Working in Establishments < 90% White	20.9%	41.7%	.50

The second line in Table Three reports that African Americans are under-represented in senior positions within agencies which command high levels of earnings. The table documents this pattern using race difference in the probability of holding a position paying a six figure salary, which is 11 percentage points higher for whites than African Americans. Consistent with these findings, we observed substantial racial differences when we applied multiple regression analysis to incomes reported in the 2000 Census by college graduates holding full-time positions in advertising. According to that analysis, African employees earned 23.3% less than white colleagues with equal education, work experience, and other qualifications.[7]

Such substantial, widespread, and persistent racial differences strongly suggest that the managers who control hiring and promotions in the advertising industry consciously discriminate against African Americans and deliberately reserve high-level positions for people who are demographically and socially like themselves. This conclusion was reached, for example by the New York City Human Rights Commission as long ago as 1978, which stated that persistent low levels of representation of African Americans among advertising industry managers and professionals "…was not simply the result of neutral forces, but emanated directly from discriminatory practices" (Bendick and Egan, 2009, p. iii; see also Chambers, 2008).

But for the present paper, such broad conclusions are less relevant than the ways in which this discrimination reflects an assumption that African American can be useful in advertising only in dealing with African American consumers and African-American associated products.

The final line in Table Three reports that African Americans in advertising work in agencies where their fellow employees tend to be other African Americans or other non-whites. Here, the demographic composition of an advertising agency's staff is a proxy measure of employee-to-customer matching because many of these minority-dominated establishments are "ethnic specialty" agencies targeting black customers, as distinguished from "general market" agencies serving "mainstream" markets. About 1,500 black advertising professionals and managers are currently disproportionately employed in such firms (Bendick and Egan, 2009, p.12).

Racially-specialized advertising agencies first developed during the second half of the 19th Century, when "Jim Crow" segregation characterized many aspects of American social and

[7] Bendick and Egan (2009), pp. 35-36 and Table A-10. According to the same analysis, women college graduates in advertising earned 19.6% less than their equally-qualified male colleagues.

economic life.[8] When African Americans tended to own, operate and patronize racially-separate retailers, churches, banks, and newspapers, advertising messages and advertising communications channels tended to be strongly separated along the same racial lines. However, the economic potential of the African American market was temptingly large for "mainstream" American manufacturing and distribution firms, and as early as the 1920s, these firms were hiring black-owned advertising agencies to reach African American consumers. Expanding beyond an initial client base of African American-owned firms (such as Madam C.J. Walker's pioneering producer of black-oriented hair care products), these agencies increasingly found work as conduits to black consumers for firms from auto manufacturers to banks. The "golden age of black advertising" between 1965 and 1975 reflected the confluence of expanding attention to African American purchasing power and lack of expertise in this market within "general market" agencies.

Today, some black-targeted agencies remain African-American owned, while others are subsidiaries of the huge globe-spanning advertising holding companies which dominate the industry. In either case, their primary work is "ethnic specialist" assignments such as adapting and delivering to African American consumers advertising messages developed and controlled by other agencies. In parallel, those rare African American professionals or managers employed in creative or client contact position in "general market" advertising agencies find themselves repeatedly assigned to products associated with African American consumers, such as basketball shoes, malt liquor or fast cars (Bendick and Egan, 2009, pp. 11-13).

Underlying such assignments is a key assumption by industry managers making hiring, promotion, and assignment decisions. In considering white job applicants or employees, these managers appear wiling to credit white individuals with flexible or generic skills applicable in promoting a range of products to a range of consumers groups. For these employees' African American counterparts, however, managers typically appear to discount such general skills and base hiring, promotion, and assignment decisions on these employees' presumed understanding of their own racial group.

In parallel to what we observed in Section III concerning retail store managers, the actual backgrounds of African American advertising managers and professionals provide little basis for assuming strong cultural affinities between them and the "average" African American consumer. African American candidates for professional and managerial advertising positions consist primarily of college graduates and persons with "communications and persuasion" skills and experience -- for example, prior employment in sales, marketing, journalism, editing, or art design (Bendick and Egan, 2009, tables A-5 and A-6). Such backgrounds make them similar to their white counterparts and different from the "average" African American consumer, who is not a college graduate and not a managerial/professional worker. Of course, in that mismatch, African Americans are no different from their white advertising colleagues, whose education and income exceeds that of the "average" white consumer.

Employment decision-makers in advertising tend to ignore the availability of tens of thousands of African Americans with educational and experience backgrounds comparable to whites routinely hired in their industry. Instead, they continue to claim that the small number of black professionals and managers in advertising today reflects a continuing shortage of "qualified" African Americans (Bendick and Egan, 2009, Chapter V). Thus, these employers are clearly not prepared to accept the first of the three propositions in the typical "business case for

[8] This history is based largely on Chambers (2008) and Davis (2002).

diversity" discussed in Section II -- that the changing demographics of the U.S. labor force means that an increasing proportion of trained, talented employees will found among race/ethnic minorities.

Employment decision-makers in advertising seem equally unconvinced about the third proposition in the typical business case for diversity -- that heterogeneous work groups are more flexible, creative, and innovative than homogeneous groups. By employing African American professionals and managers disproportionately in "ethnic specialist" advertising agencies and their white colleagues disproportionately in "general market" agencies, they appear to assume that the best ideas for promoting products to African American customers will emerge from African Americans without input from white colleagues, and the best ideas for promoting products to whites will emerge from white employees working in similar isolation.

In short, in the advertising industry, the guiding mindset is: "All blacks know blacks, but they know nothing else." So long as that assumption remains unchallenged, a business case for diversity along the lines of Figure One will be interpreted to support race matching of employees to customers rather than eliminate it, with adverse consequences for advertising agencies' business performance *and* American society's striving for equal employment opportunity.

V. The "Business Case" for Inclusion, Not Diversity

We are not the first observers to raise concerns about employment practices employers adopt in seeking the supposed business benefits of a diverse workforce. In pioneering work more than a decade ago, Thomas and Ely (1996, pp.133-135) described what they labeled an "access and legitimacy" paradigm for diversity:

> Where this paradigm has taken hold, organizations have pushed for access to -- and legitimacy with -- a more diverse clientele by matching the demographics of the organization to those of critical consumer or constituent groups. In some cases,…the paradigm has led to new professional and managerial opportunities for women and people of color….But…access-and-legitimacy leaders are too quick to push staff with niche capabilities into differentiated pigeonholes without trying to understand what those capabilities really are and how they could be integrated into the company's mainstream work….When a business regards employees' experience as useful only to gain access to narrow markets, those employees may feel exploited.

Thomas and Ely recommended that employers instead adopt a "learning and effectiveness paradigm." This approach (Thomas and Ely, 1996, pp. 138-151):

> …lets the organization internalize differences among employees so that it learns and grows because of them….Leadership must understand that a diverse workforce will embody different perspectives and approaches to work, and must truly value variety of opinion and insight….[While creating] high standards of performance from everyone,…[effective] leaders…take responsibility for removing the barriers that block employees from using the full range of their competencies, cultural and otherwise, explicitly forbid…any kind of dominance and…test their own assumptions about the competencies of all members of the workforce.

In applying Thomas and Ely's advice, an important first step is to develop a business case for diversity which steers employers in the right direction. Figure Two rewrites the business case in Figure One into a prototype of such a statement.[9] Figure Two retains the demographic data and most of the wording of Figure One but realigns them to support a profoundly different logic.

Figure Two

BUBB INSURANCE'S BUSINESS CASE FOR INCLUSION

Those who perceive inclusion as exclusively a moral imperative or societal goal are missing the larger point. By offering an inclusive workplace, Bubb can attract, retain, and fully utilize workforce diversity which generates competitive advantage and business opportunity. That's why Bubb makes inclusion a business priority.

Demographics

Once a largely homogeneous group, the faces of customers, claimants, producers, employees and suppliers have been transformed into a dynamic mix of people comprised of various races, cultures and backgrounds. In 2008, "minorities" are roughly one-third of the U.S. Population, by 2042 "minorities" will be the majority.

If we disregard the data on changing demographics, we also disregard the substantial growth in buying power of diverse markets. Not only are these diverse minority groups increasing as a percentage of the U.S. population, but so too is the buying power they wield.

From 1990 to 2007, minority group market share and purchasing power doubled and in some cases tripled. By 2012, that buying power will increase by another 30%. This economic clout is not limited to minorities. Gay and lesbian consumers will control a 6.4% market share, or $835 billion. The present and future monetary power of diverse markets is more apparent each year.

Clearly, the U.S. population -- and the world's -- is changing dramatically. As our U.S. and global customer base becomes steadily more diverse, significant portions of Bubb's future growth must come from tapping into these diverse markets.

Defining Inclusion

Inclusion is about recognizing, respecting and valuing differences based on ethnicity, gender, color, age, race, religion, disability, national origin and sexual orientation. Differences also include an infinite range of individual unique characteristics and experiences, such as communication style, career path, life experience, educational background, geographic location, income level, marital status, military experience, parental status and other variables that influence personal perspectives.

These life experiences and personal perspectives make us react and think differently, approach challenges and solve problems differently, make suggestions and decisions differently, and see different opportunities. It is well-proven that diverse, heterogeneous teams promote creativity, innovation and product development. Inclusion is about learning to take advantage of all that diversity of thought. Superior business performance requires tapping into these unique perspectives.

Each of our employees is a culturally complex individual who bring to us a rich variety of backgrounds and perspectives. We cannot predict which aspects of which employees will lead to ideas addressing the needs of any particular customer, but a diverse workforce broadens the pool of perspectives from which we can draw. At Bubb, we view employees' differences as valuable assets and never a reason to limit their opportunities.

To work together with diverse fellow employees requires cultural competence to understand and relate to individuals from many different backgrounds. These are the same skills we need to handle the diversity we encounter in our customers, suppliers, and other corporate stakeholders, form lasting business relationships with our customers and become a true global leader in the industry.

Business Imperative

In order for Bubb to remain competitive for employees and for customers, it is imperative that we maintain an inclusive workplace which attracts and values diverse talent.

[9] Although this figure obviously builds on Chubb Insurance's statement in Figure One, Figure Two was written by us with no input from Chubb, and therefore we have replaced Chubb's name with a fictional one.

The first difference in this logic is signaled by the title. While Figure One is a "business case for diversity," Figure Two is a "business case for inclusion." Elsewhere, we have argued that lack of diversity in an employer's workforce is best understood not as a problem in itself but as a symptom of an underlying problem -- lack of inclusion in the workplace's organizational culture (Bendick and Egan, 2000; Bendick, Egan, and Miller, 2008; Hulett, Bendick, Thomas, and Moccio, 2008). Many employers attempt to increase diversity in their workforce directly -- by hiring more "out group" employees -- without simultaneously changing their workplace cultures and employment practices which generated lack of diversity in the first place. This approach, which might be labeled "diversity without inclusion," rapidly turns counterproductive, as the race matching illustrated in Sections III and IV exemplifies.

A business case guiding employers away from "diversity without inclusion" emphasizes that the workforce diversity can be maintained and can function as a business asset only by creating an inclusive workplace. In this spirit, the opening paragraph of Figure Two states, "*By offering an inclusive workplace,* Bubb can attract, retain, and fully utilize workforce diversity which generates competitive advantage and business opportunity."

A second difference between Figure One and Figure two is that the latter proactively explains the uses of diversity in a way inconsistent with employee-customer matching. This explanation emphasizes that individuals are not reducible to any single demographic characteristic, such as race, but instead are "culturally complex" bundles of many different backgrounds. Instead of attempting to predict which aspect of which individual's background will be relevant to any particular business challenge, the company needs to assign employees based on their full range of skills and abilities and be open to good ideas from wherever they arise.

A final difference between Figure One and Figure Two is that the latter identifies "cultural competence" as a key skill for all employees in the complex, diverse, global business environment described in the statement. Managers dealing with supervisees, employees dealing with fellow employees, and staff dealing with customers and other stakeholders all need "the behaviors, attitudes, and policies enabling them to work effectively in a cross-cultural setting" (Egan and Bendick, 2008, p. 391). These skills are not natural for all individuals (Comer, Nicholls, and Vermillion, 1998; Flaherty and Pappas, 2000; Lopez and McMillan-Capehart, 2002; McNeilly and Russ, 2000, Marshall, Stamps, and Moore, 1998). However, they can be taught (Bucher, 2004; Egan and Bendick, 2008). Seeking to maintain an inclusive workplace, employers need to provide training in these skills and then reward employees who apply them and sanction employees who do not.

Providing training in cultural competence is one practical human resource management practice by which employers can promote inclusion throughout their talent management systems. Others include establishing transparent, rule-driven, performance-related criteria to guide hiring, assignments, promotion, and compensation decisions, and establishing monitoring systems to hold managers accountable for inclusion practices and diversity outcomes (Bielby, 2008; Bendick, Egan, and Lofhjelm, 2001; Bendick, Egan and Miller, 2008). Ensuring that employee-customer matching does not distort employee work assignments is one important function of these decision-making and monitoring systems.

The lesson of the contrast between Figures One and Two -- and of this entire paper -- is simple: A "business case for diversity" can either promote equal employment opportunity or its opposite, depending on exactly what the case says. Specialists in diversity and discrimination matters need to ensure that such statements reflect state-of-the-art thinking on workforce inclusion. Strategic leaders in human resource management and other senior corporate executives need to be critical readers of these statements and not blindly accept them as unimportant boilerplate.

VI. Applying these Lessons Outside the USA

Because workforce diversity management is such a pervasive business practice in the USA, that nation is the obvious first venue in which the lessons in this paper are relevant. However, the United States is not the only nation where anti-discrimination efforts are a major concern, nor the only one in which those efforts are importantly influenced by "business case" considerations (SHRM, 2009; Bendick and Egan, 2003).

Situations parallel to the United States are clearest in other industrial nations, such as Canada and the members of the European Union, where social mores and legal rights support equal employment opportunity in ways parallel to the USA. Similar issues often arise when multinational corporations headquartered in the USA or operating in the USA attempt to reconcile their American practices with those the company applies in other legal and social contexts around the world.

In all these contexts, pressure for business firms to match employees and customers will no doubt arise. The US experience reviewed in this paper cautions that human resource management practices guided by these pressure move in the wrong direction from both a societal and a business point of view. Not only in the USA but around the world, human resource management strategies need to promote inclusion, not the "diversity without inclusion" which employee-customer matching represents.

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