

## DIVERSITY AS A PROFITABLE INITIATIVE

Mikel Smith Koon  
President, Mosaik Strategies, LLC.

January 2006 –Diversity is a term not usually paired with profitability, but if used as intended, it will increase value of the organization.

Diversity is a term that is often confused with affirmative action or equal opportunity. It is somehow equated with racial minorities. However, it does not simply refer to racial differences. That is just a small part of it. It is a strategic notion that through the full use of input from employees of all backgrounds and experiences, an organization will be more profitable. The use of this input creates a competitive advantage to the organization through increased creativity, improved products and services tailored to meet the needs of a specific market and increased individual potential. Diversity is inherently strategic.

So why is it that all companies do not take advantage of diversity as part of the strategic business plan? It is true that the number of companies that value diversity has been continually increasing over the last ten years. *Diversity Inc.* reports that there are an estimated 10 to 15 percent of Fortune 500 companies that commit to diversity<sup>1</sup>. But there is still so much confusion about diversity and what it is intended to accomplish. There are no federal laws or regulations that require diversity within private companies and organizations. There

are Equal Employment Opportunity (EEO) laws that prohibit job discrimination, but there are no laws that require companies hire a diverse employee base. Since diversity is not required for federal compliance, why are many profitable companies interested in being known as companies that value diversity? It is because diversity is a strategic concept that leads to increased profitability.

Companies that understand and appreciate diversity thrive. For example, *Diversity Inc.* receives hundreds of applications each year for companies to be recognized as one of 50 companies that value diversity. There is no size requirement to win this distinction but it's very interesting that almost 80 percent of the Top 50 Companies are Fortune 500 companies, each earning revenues of over \$2 billion. *Diversity Inc.* estimated that even though only 7 percent of all Fortune 500 companies are on the list, these companies represented generate almost one quarter of the total gross revenue of all Fortune 500 companies. In addition, there are 43 publicly traded companies in this year's *Top 50 Companies for Diversity*. These companies had a 23.5 percent higher return than the Standard & Poor's 500 when measured over a 10-year period with dividends reinvested.<sup>2</sup>

While it is true that the government does not place mandates on diversity, consumers do. Consumers insist that the companies they buy from understand and meet their needs with their products and services. Not only must the products and services meet their needs,

---

<sup>1</sup> Barbara Frankel, "The DiversityInc Top 50 Companies for Diversity: The Methodology," *DiversityInc@*, October 12, 2005, <http://www.diversityinc.com/public/17747.cfm>; Internet; accessed January 15, 2006.

---

<sup>2</sup> Ibid.



but also these companies must support the communities of their consumers. According to *BusinessWeek*, consumers patronize companies that care about their communities.<sup>3</sup>

If a company is selling to a diverse market and its workforce does not reflect the diversity of its marketplace, it will lose market share. In this case, the background, values and experiences of the individuals in the market are not being represented in the creation of the company's products and services. It is impossible to create products or services that meet the needs of individuals without understanding those needs. A diverse workforce will give the company a good understanding of those needs.

Companies that are committed to a diverse workforce and meeting the needs of a diverse market are committed to diversity recruiting. This means that the company will recruit at state schools as well as the top tier of private schools for good candidates. Companies committed to diversity will ensure talent from all backgrounds and experiences are evaluated.

A company that is dedicated to diversity is committed to supporting community organizations. The late Peter Drucker, known as the "father of modern management" was recognized for his writings on business management. He strongly believed that a healthy economy was dependent upon the social responsibility of companies. Companies that support the communities in which their employees live and work improve the success of their company through their community support. Companies that support the educational or quality of life opportunities of the people within their communities

improve their own recruiting base as well as the lives of their present employees.

According to the U.S. Census Bureau the population is evolving from one that about 28 percent minorities to one that will be almost half minority by the year 2050. An organization can decide to evolve and grow as the population changes and reap the benefits of serving a wider market. A decision to evolve will result in greater profitability for an organization and will demonstrate the commitment to its organization's success.

---

<sup>3</sup> Nanette Byrnes, "Smarter Corporate Giving," *BusinessWeek*, November 28, 2005.

