Diversity & Inclusion
The New Business Imperative

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Diversity is a Fact. Inclusion is a Choice

DIVERSITY is a collective mixture of individuals, cultures, and organizational expertise.

INCLUSION means behaviors, policies, and practices that allow all stakeholders to achieve their full potential.

Diversity includes everyone.

Source: The Changing Consumer and the Workforce Imperative, Network of Executive and Deloitte, 2011
“The business case has been demonstrated quite thoroughly. When you’ve got over one-third of this country as people of color, a diverse workforce benefits in terms of connection and creativity. Whether Latino, African American, Asian – regardless of the group – it is hard to form a brand relationship unless you have people that come from those cultures and ethnicities that can connect.”

— Don Knauss, Chairman and CEO, The Clorox Company

Diversity Has Many Layers

- Identity
- Function
- Role
- Credentials
- Level
- Tenure
- Region
- Work Experience
- Industry Specialization
- Immigration Status
- Socio-Economic Status
- Family Status
- Language
- Location
- Education
- Religion
- Race/Ethnicity
- Gender
- Thinking Style
- Working Style
- Values
- Class
- Mental/Physical Ability
- Age
- Sexuality/Orientation
- Appearance
- Industry
- Credentials
- Family Status
- Values
- Working Style
- Thinking Style
- Level
- Region

- Personal
- Cultural
- Organizational
The Marketplace & Workplace Are Changing

- Beginning in 2011, > 50% of children younger than the age of one were minorities\(^1\)
- By 2025, > 50% of the US population may be multicultural
- By 2042, minority groups may be the new majority\(^1\)
- Going forward, 85% of the US’ population growth may come from ethnic groups of color\(^2\)
- Only 3% of the world’s future population growth may come from the developed world\(^1\)
- By 2014, the global earning power of women is expected to overshadow the growth in the gross domestic product of China and India — combined\(^3\)
- 93% of Fortune 500 companies say that diversity is an important business drive\(^4\)

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## Minority Groups Have Unprecedented Buying Power

<table>
<thead>
<tr>
<th>Minority Group</th>
<th>1990 Buying Power</th>
<th>2014 Buying Power (Projected)</th>
<th>% Increase (1990-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>$318 billion</td>
<td>$1.1 trillion$^1$</td>
<td>246%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$212 billion</td>
<td>$1.3 trillion$^1$</td>
<td>513%</td>
</tr>
<tr>
<td>Asian American</td>
<td>$117 billion</td>
<td>$696.5 billion$^1$</td>
<td>495%</td>
</tr>
<tr>
<td>Native American</td>
<td>$19.7 billion</td>
<td>$82.7 billion$^1$</td>
<td>320%</td>
</tr>
<tr>
<td>White</td>
<td>$3.8 trillion</td>
<td>$13.1 trillion$^1$</td>
<td>245%</td>
</tr>
<tr>
<td>LGBT</td>
<td>Not avail.</td>
<td>$835 billion$^2$</td>
<td></td>
</tr>
</tbody>
</table>


Understanding the cultural diversity of your consumer base is important to capturing market share.
Diversity & Global Markets

- Women are increasingly crucial
  - European governments mandates for board positions are currently being debated¹
  - In a majority of countries, women represent > 50% of college degrees²
  - Companies with more women directors, significantly outperform companies with the lowest percentages of women directors³

- Growth strategies for emerging markets (BRIC and MIST):
  - Invest in localized R&D
  - Utilize local ingredient and rituals
  - Understand local distribution/consumption patterns
  - Build local affinity communities
  - Work with local businesses & political forces

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1. Source: http://www.huffingtonpost.co.uk/2012/11/14/eu-mandatory-quotas-proposals-scraped-in-favour-of-softer-approach_n_2128296.html:
Age is Yet Another Component of Diversity

Businesses should meet the needs of an aging US population while also targeting younger generations who are the consumers and employees of tomorrow.

1. Source: US Census Bureau
So What Can Inclusion Do For Your Business?

Deloitte's Enterprise Value Map™ helps to frame the business case for Diversity and Inclusion

- Attract and retain top talent
- Provide leadership development opportunities
- Provide mentoring relationships
- Reinforce culture of meritocracy
- Increase productivity through improved morale

- Leverage diverse ideas to develop innovative market-relevant product and service ideas
- Identify new market segments and opportunities
- Sell more effectively to growing diverse markets
- Mirror the changing complexion of customers and customer organizations to more effectively compete
- Leverage marketplace recognition and eminence to attract new business

Shareholder Value

Operating Margin
- SG&A
- COGS

Asset Efficiency
- PP&E
- Inventory
- AR/AP

Revenue Growth
- Volume
- Price Realization

Expectations
- Co. Strengths
- Ext. Factors

- Address costs associated with recruitment, training, and retention
- Reduce workforce costs resulting from employee relations/litigation/settlements/turnover
- Increase efficacy of the existing initiative, programs, and communications

- Improve public, shareholder and investor perceptions
- Strengthen corporate social responsibility reputation
- Enhance brand image through strength of culture and eminence of people
FIT Has Proposed Three New Models for Inclusion

The Bridge
- The Corporate Pyramid Model inhibits the flexibility to attract future workers and consumers
- The Bridge Model connects consumers to a business' leadership via a more engaged workforce and more transparent flow of information
- The Anchors: Consumers and Leadership, which depend on each other & hold the structure together
- The Deck: Workforce, supporting the bridge with a sense of purpose
- The Beams: Communication and information networks, fostering a multi-dimensional dialogue

The Bonding Helix
- The growing diversity of the world’s consumers means brands must engage in 1-on-1 conversations
- Today’s consumers are unique and have power to influence others
- Brands must build relationships that include loyalty and influence
- Six Bonds of the Helix:
  - Consider
  - Evaluate
  - Buy
  - Re-Evaluate
  - Loyalty
  - Influence
- This is only possible using digital fingerprints and technology to create customized digital content

Beauty Fusion
- Cultural fusion is already apparent in food, fashion and music
- Fusion can be incorporated into beauty using three elements
- Combined, these allow brands to:
  - Connect with diverse customers
  - Spur inspiring product concepts
  - Build an emotional connection

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1. Source: Diversity and Global Leadership: The Bridge 2012, Fashion Institute of Technology
2. Source: Diversity and Global Marketing: The Bonding Helix 2012, Fashion Institute of Technology
Leading Companies Leverage Diversity for Innovation

“Diversity brings innovation and relevance. I think the greatest benefit we have found is that diversity drives innovation. People from different backgrounds engaged in thoughtful debate leads to groundbreaking solutions. When you have a team that is engaged and reflective of your consumer base, you can better understand, anticipate, and meet the needs of your guests.”

— Tracey Burton, former director of diversity, Target Corporation

Source: Burton, Tracey. Former director of diversity at Target Corporation. Interview by Deloitte employee via telephone. 5 May 2010
While industry revenue dipped in 2009 (by only .1%) for the first time in five years due to weakened worldwide economy, things turned around in 2010 and 2011.

Revenue in 2012 is estimated to grow by 2.2% to $54.9B (making the annual growth rate over five years 1.3%).

But Beauty Companies Should Adjust To Remain Profitable

“The popularity of the ‘white, blonde and blue-eyed’ look has been declining for some time.”
— Geoffrey Jones, HBS professor & author of *Beauty Imagined*

Cosmetics companies are adapting to growing markets such as China and Latin America, expected to overtake North America within four years¹

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¹ Source: The Observer: Faces of Change, Zoe Wood, July 2011
Leading Brands Already Use Diversity Driven Marketing

- **Brand X Idealist line**¹

- **Brand Y “My Black is Beautiful”**²

- **Brand Z, leverages different strategies to sell to all ethnicities**³

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Leading Brands Embed Inclusion Within Organizations

Brand A

- Along with Deloitte, sponsor the “Diversity and Performance” Chair at ESSEC

- Solidarity Sourcing Program has helped 14,000 economically vulnerable people find work

Brand B

- Foundation For Woman has raised $175M for breast cancer research, providing detection programs to 17M women in 58 countries

- Signed the CEO Statement of Support for UN’s Women's Empowerment Principles Report

1. Source: http://leadership-diversity-chair.essec.edu/
The Business Case For Diversity According to Deloitte

https://deloittenet.deloitte.com/About/Bus/Talent/Pages/Diversity.aspx
Lessons From Our Experience: There Is No Silver Bullet

- Inclusion driven as a business case
- Leadership commitment from the top
- Accountability – what gets measured, gets done
- Benefits accrue to the organization
- Continue to innovate
- Engage non-minorities, men from the beginning
- Share leading practices

Continue to innovate by challenging the status quo
Creating the Preferred Workplace Requires Change

Catalyst Research\(^1\) suggests that a well-designed strategy, not separate programs, makes all the difference. The strategy should be:

- Business-based
- Focused on Top Priorities
- Integrated into Business Strategy
- And Driven By:
  - Solid Business Case
  - Senior Leadership Support
  - Effective Communication
  - Accountability and Metrics

1. Source: http://www.catalyst.org/
Leaders Must Be Accountable and Engaged

- External Advisory Board(s)
- Initiatives that are integrated into marketplace
- Multiple benefits to attract/retain people
- Education and communication
- Surveys to measure results and impact
- Incentives based on targets and retention plans
- Alliances with higher education
Deloitte is committed to growing leadership skills at various levels in the organization.

Deloitte University (DU) is an embodiment of this commitment to developing its people.

Including Managing Principal, Diana O’Brien, Deloitte Consulting LLP and Chief Customer Officer, Pete Sackleh, Deloitte LLP, DU is led by a diverse array of leaders.

DU’s commitment to diversity shows, as:

- Younger employees work hand in hand with senior practitioners
- People from all Deloitte’s offices and practices nationwide work together to solve problems

Deloitte University Fosters Values In a Diverse Workplace

3M+
Learning hours in FY12 (~1M at DU)

22K
Professionals attended learning and networking

3,500
Partner, principal, director visits

~50
Client visits; 50 more in the planning stages

Note: Deloitte University statistics provided are aggregate for FY12 and not specific to Deloitte’s Retail & Distribution practice only.
Inclusion Is No Longer About Doing The Right Thing…

Business Enabler

Innovation and Creativity
New Market Penetration
Customer Loyalty

Knowledge Transfer
Employee Satisfaction, Engagement and Productivity
Acquisition and Retention of Top Talent

Effective Global and Cross-Cultural Teaming
Global Leadership Development
Brand Reputation

Right Thing to Do

Increased Diversity Representation
EEOC Compliance
Diversity Programs

Value

Monday, April 8, 13